

Arafat Pleads With Skeptics In Fatah to Accept Pact

PLO Leader Predicts Unstoppable Momentum From Limited Self-Rule

By William Drozdiak

TUNIS — The Palestine Liberation Organization chairman, Yasser Arafat, sought to persuade skeptics within the ranks of his mainstream Fatah faction on Friday to back the Gaza-Jericho plan as the only plausible option left for Palestinians to gain some control over their ancestral lands.

As a crucial meeting of El Fatah's 18-man Executive Committee moved into its second day, senior advisers to Mr. Arafat said he was leading the debate in stark terms of those will-

ing to support a gamble in favor of peace and those who are resolutely opposed to any form of compromise with Israel.

[At least 4 of the 12 Fatah guerrilla chiefs meeting with Mr. Arafat oppose or have voiced doubts about his peace deal with Israel, Reuters reported, quoting Palestinian sources.]

Yasser Abed Rabbo, an Arafat ally on the PLO Executive Committee, said El Fatah was expected to make a decision late Friday evening.

Opponents of the self-rule plan, led by Abbas Zaki, a committee member, are furious that Mr. Arafat, during eight months of secret negotiations, accepted a pact that they believe abandons the dream of an independent Palestinian state. They also claim it ignores the status of Jerusalem and the fate of Israeli settlements.

But Mr. Arafat is said to be insisting that limited self-rule in Gaza and Jericho, in which Palestinians would take charge of health care, education, law enforcement and other aspects of daily life after Israeli military forces withdraw, would gradually acquire unstoppable momentum across the occupied territories.

Palestinian sources said that Mr. Arafat had authorized a huge shift of funds in recent weeks — reportedly as high as \$1 billion — of El Fatah's dwindling financial reserves into Egyptian banks to prepare for the heavy infrastructure costs that will be required in Gaza and Jericho once the accord takes effect.

Even so, PLO officials said that \$3 billion would be necessary to make the plan a success, and that they were counting on important contributions from the United States, Japan and the European Community to underwrite Palestinian administration of Gaza and Jericho.

"We have to make a positive impact early," a PLO official said, "so that those opposed to the peace process, especially the Islamic fundamentalists, do not have an opportunity to wreck the prospects for successful self-rule."

Despite the hostile reaction among some members, Mr. Arafat and his supporters were confident that he would win a majority of votes in the plan, as well as a statement that recognizes the Jewish state and renounces violence in words acceptable to the Israeli government.

Bassam Abu Sharif, one of Mr. Arafat's lieutenants, said PLO, Page 5



NEW WAYS? — Finance Minister Theo Waigel, left, Economics Minister Günther Rexrodt and Chancellor Helmut Kohl recommending basic changes in German life. Page 9.

French Elite Wonder if Strong Franc Is Worth It

By Tom Redburn

PARIS — Support for Prime Minister Edouard Balladur's tough economic policy of high interest rates to maintain the franc's strength is starting to crumble where it counts: among France's business and finance elite.

"It is not just the same old voices calling for a change in the franc fort," said Jean-François Mercier, French market analyst for Salomon

Brothers Inc., referring to the strong-franc policy. "There is much more hidden pressure by the business community."

So far, the complaints have been muted in public. But that seems about to change. With the French returning from their traditional summer vacations amid signs of continuing economic weakness and mounting unemployment, those quiet behind-the-scenes arguments from some of Mr. Balladur's traditional

backers are beginning to take center stage.

On Friday, for example, the conservative establishment newspaper, *Le Figaro*, published a front-page editorial questioning the government's commitment to the strong franc in the aftermath of the effective breakdown in early August of the tight links among currencies in the European Monetary System's exchange-rate system. The French daily, which has raised previous questions about the gov-

ernment's stance, said it was time to open a vigorous public debate on the issue.

With analysts pointing to economic improvements in Britain and Sweden that followed currency depreciations and interest-rate cuts in those countries last year, similar doubts are even surfacing in Belgium and Denmark over monetary policies that appear to place

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Dollar Tumbles as Market Spotlight Shifts to Mark

By Carl Gewirtz

PARIS — The dollar lost more than 1 percent on Friday, falling to the bottom of its recent trading range against the Deutsche mark and setting the stage for further weakness, market analysts said.

The dollar fell to 1.6169 DM in New York, down from 1.6450 Thursday.

Although the move was triggered by disappointment with the latest economic data from the United States showing a decline in non-

farm employment last month, analysts maintain that the underlying dynamic of the market is a reassessment of the Deutsche mark rather than a loss of confidence in the dollar.

"The dollar's weakness is a reflection of the Deutsche mark's strength against all currencies," said Neil MacKinnon, Citibank's London-based analyst.

Nevertheless, the July employment report wiped out hopes of many market participants that U.S. interest rates were poised to rise. This is good news for the U.S. bond market,

where rising prices drove the yield on 30-year paper to 5.94 percent, a low not seen since 1968. Stock prices also rallied, but only modestly.

The change in expectations about short-term interest rates brought back into focus the fact that U.S. rates at just over 3 percent remain about 3.75 percentage points below German levels. The foreign exchange market had been willing to forgo the immediately

See DOLLAR, Page 10

Dow Jones		Trib Index	
Up	7.83	Up	0.81%
	3,633.93		109.58
The Dollar		Previous Close	
New York	1.6169	1.6450	
London	1.59	1.5925	
Yen	104.50	105.885	
FF	5.6825	5.7885	

In Gaza, Chaos Threatens The Dream of Autonomy

By David Hoffman

SHEIKH RADHWAN, Israeli-occupied Gaza Strip — In an empty sand lot near the sea, almost 2,000 Palestinians joined an upbeat rally to demonstrate support for the draft peace agreement with Israel in which Palestinians will finally get a chance to govern themselves.

But soon after the bands started playing, and speeches began from the leftist faction that sponsored the rally, youths from Hamas, the militant Islamic Resistance Movement, surrounded the crowd. Carrying pipes and boards, they hurled stones into the gathering, then attacked it, throwing chairs and tearing down the big Palestinian flag behind the stage. The crowd fled.

The Wednesday night incident, less than a week after Israel unveiled a landmark agreement with the Palestine Liberation Organization to transfer the Gaza Strip and Jericho to Palestinian control, brought a sober reminder of what the Palestinians face in the months ahead.

If the keys to the Gaza Strip are actually handed over, the Palestinians who take control will find that they have inherited a political and

economic nightmare. Although there is bold talk of building ports, factories, schools and highways, of a flourishing democracy and bustling gateways to the Arab world, the reality is grim.

The Palestinians are riven by political factionalism that could well turn violent. And at the critical moment when they take control of their own affairs, there is a leadership vacuum. Unemployment is widespread, health conditions poor. Water, sewerage and road infrastructure has dangerously deteriorated. And Palestinian society is being torn apart by conflicting strains, such as the frustrations of a youthful population and the rise of Islamic militancy.

The new Palestinian government will also have to set up a judicial system and make sensitive decisions such as how to handle gangs that have been killing fellow Palestinians suspected of cooperating with the Israeli authorities.

Since the beginning of the *intifada*, the uprising against Israeli occupation in 1987, at least 755 Palestinians have been slain by other Palest-

See GAZA, Page 5

Murdoch Sale Signals Asian TV Shift

By Kevin Murphy

HONG KONG — In a major Asian strategy shift, Rupert Murdoch's News Corp. is selling its 50 percent stake in South China Morning Post (Holdings) Ltd., executives of the Hong Kong-based company said on Friday.

Details of the surprise sale were incomplete, but analysts said the disposal of a profitable newspaper identified with Hong Kong's establishment signaled Mr. Murdoch's emphasis on television broadcasting over print for his company's expansion in Asia.

"They would only sell the paper if they had a reinvestment opportunity in the short term," said George Colman, a media analyst with NatWest Securities in Sydney, of a deal worth at least \$500 million to News Corp. "I will not be surprised if that opportunity is the electronic media area."

Others said Mr. Murdoch had chosen to sell at the top of the market for English-language newspapers in Asia, which are under commercial pressure from local-language publishers that are often less likely than Western-owned companies to antagonize their governments.

"The English-language daily is on the wane in Asia," said Kirk Sweeney, research director at Lehman Brothers Asia Ltd. "Mr. Murdoch bought the South China Morning Post in 1986 for a very good price and has enjoyed very good profit margins, but now he is focusing on broadcasting."

Based in Sydney, News Corp. has publishing, entertainment and broadcasting properties on four continents. Its holdings include STAR-TV, the Asian broadcaster based in Hong Kong; Fox Broadcasting and Twentieth Century-Fox Film Corp. in the United States.

See MURDOCH, Page 13

Robocop Uncovers Suspect 480-Pound Device Outguns Its Quarry

By Jon Jeter

WASHINGTON — A five-hour standoff between the police and a man suspected of killing his girlfriend ended when the authorities sent a robot into the couple's apartment in Maryland to help subdue the man.

The suspect, Craig Allen Smith, 22, of Greenbelt, Maryland, was charged with first-degree murder in the shooting of his girlfriend, Cynthia Marie Wilkinson, 24.

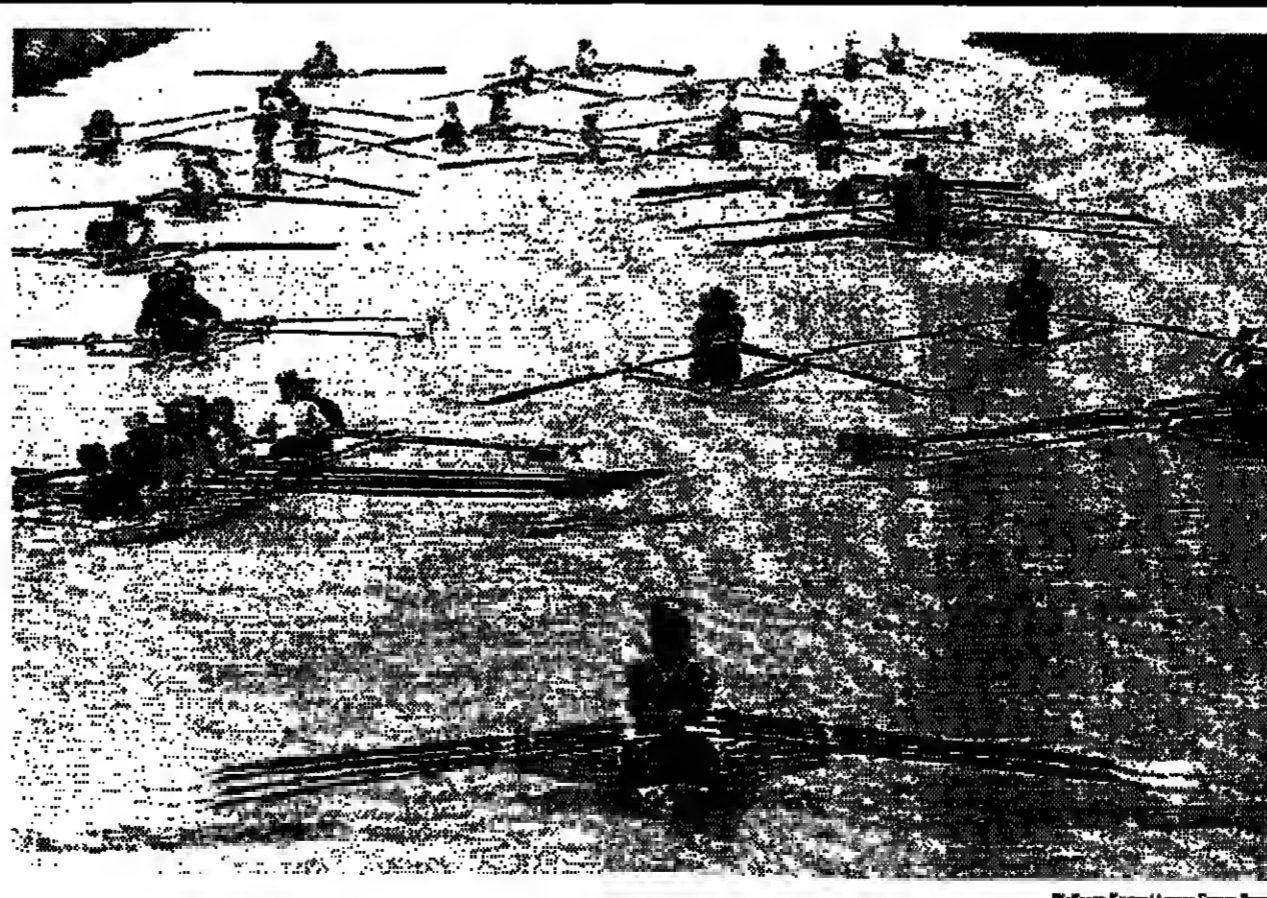
Alerted by a friend after Ms. Wilkinson was killed, police officers converged on the apartment but Mr. Smith, armed with a shotgun, refused to surrender, the police said.

After long and inconclusive negotiations by telephone, the police sent in the remote-controlled robot, a three-foot-tall, 480-pound machine that is used by the Prince George's Coun-

ty Fire Department to disarm explosive devices. The robot, equipped with a television transmitter, was guided to a bedroom closet. The robot opened the closet door, and Mr. Smith was detected hiding under a pile of clothes. The robot removed the clothes, but Mr. Smith grabbed them and began to cover himself again, the police said.

A technician controlling the robot used a high-pressure water gun to knock the shotgun out of the man's hands and disorient him, enabling the police to arrest him, said Corporal Keith Evans.

The police said Ms. Wilkinson had apparently told Mr. Smith on Wednesday night that she wanted to end their relationship. They argued Wednesday night and again Thursday morning, when Mr. Smith shot Ms. Wilkinson, the police said.



JUST PLAIN STROKES — Participants in the World Rowing Championships in Roudnice, Czech Republic, practicing Friday.

Ukraine Chief Offers Fleet To Russia for Debt Relief

Kiev's Economic Woes Also Bring a Concession On Nuclear Weapons

By Fred Hiatt

MOSCOW — President Leonid M. Kravchuk of Ukraine, his nation's economy in a shambles, agreed Friday to sell Ukraine's share of the prized Black Sea Fleet to Russia in exchange for debt relief.

Mr. Kravchuk meeting with President Boris N. Yeltsin in Crimea, also pledged to send Ukraine's nuclear warheads to Russia for dismantling. In exchange, Mr. Yeltsin said Russia would send Ukraine uranium for its nuclear power industry.

Both agreements appeared to represent dramatic concessions by Ukraine, which has viewed the fleet and the nuclear weapons it inherited from the Soviet Union as important badges of sovereignty. But with the nation's economy in a free fall, Mr. Kravchuk apparently felt he had to strike a deal.

The Ukrainian parliament must still approve the agreements, however, and nationalists there seem likely to raise objections. The two presidents have reached agreements before on the Black Sea Fleet, at times promising to share it, at other times promising to divide it evenly. But each agreement has fallen victim to mistrust and recriminations between the two most populous republics of the former Soviet Union.

With more than 50 million inhabitants, a solid industrial base, valuable ports and borders with Eastern Europe, Ukraine had more potential for prosperity than most of the other 14 republics created by the collapse of the Soviet Union in 1991.

But the nation's leadership has been unable to stick to a clear policy of economic reform, and the resulting waffling and corruption have proven disastrous. Mr. Yeltsin, facing divisions and power struggles at home, was not above citing Ukraine on Friday as a worst-case scenario.

"Ukraine today is for Russia a striking example of how differences between branches of power as well as inside the cabinet can boomerang on the economy and drive an independent state deeply into debt," Mr. Yeltsin said.

The Ukrainian currency, the karbovanets, fell from 700 to the dollar to 19,000 per dollar in less than one year. Ukraine has more food shortages than Russia, and inflation is higher than Russia's already galloping rate.

One result of Ukraine's depression has been its inability to pay Russia, especially for oil and gas. Ukraine's debt to Russia is estimated at \$2.5 billion, and Russian officials have threatened to cut off fuel supplies.

"Ukraine must carry the economic burden of its own independence," said Vyacheslav Kostikov, Mr. Yeltsin's spokesman. He added, however, that Russia would not demand world-market prices for its oil or deliver ultimatums to Ukraine on the question of fuel supplies.

Mr. Yeltsin said that the value of Ukraine's share of the 300-ship Black Sea Fleet could be used to offset its debt. If the ships' value exceeded the debt, Russia would pay the difference, he said.

The agreement leaves unresolved the issue of Sevastopol, the fleet's home port. The city found itself in Ukraine when the Soviet Union collapsed, but it historically belonged to Russia and many Russians still view the city — and the fertile Crimean peninsula surrounding it — as rightfully theirs.

The two presidents were to discuss the possibility of Russia renting Sevastopol, much as Britain leases Hong Kong from China. But that idea has prompted objections from Russian nationalists who do not want to acknowledge Ukrainian ownership, from Ukrainian nationalists who do not want to allow foreign armed forces on their soil, and from Crimean authorities who want a cut of any rent.

The issue of nuclear arms also has been contentious. Ukraine pledged as soon as it became independent to become a nonnuclear state, but since then many Ukrainian politicians have questioned the wisdom of ceding the estimated 1,600 to 1,800 nuclear warheads. Many do not trust Russia, where many nationalists still view Ukraine as a Russian province.

Kiosk

Jane's Upgrades Iraqi Air Power

LONDON (AP) — The Iraqi Air Force has almost 300 fully operational combat aircraft, nearly double U.S. intelligence estimates, Jane's Information Group reported Friday.

Paul Beaver, editor of Jane's Sentinel, said the number of warplanes "casts doubts on the effectiveness of UN sanctions" against Iraq, imposed after it invaded Kuwait in August 1990.

An analysis of the Iraqi Air Force by U.S. intelligence sources in December identified a total of 350 Iraqi combat aircraft, of which 160 were deemed operational, he said. "Although these aircraft are operational, he still lacks the pilots and the organization structure to use them effectively," Mr. Beaver said.

General News

President Clinton is scaling back the health-care plan he will present to Congress. Page 3.

Business/Finance

A U.S. jobs report was mostly bad news, despite a lower unemployment rate. Page 9. German industry and local governments are bailing out a recycling program. Page 11. Japan's trade surplus bulged again in July, as imports stagnated. Page 13.

Crossword

Page 5.

كندا من الأصل

First Judge Is Held In Italian Inquiry

By John Tagliabue
New York Times Service

ROME — The revolution spawned by Italy's huge corruption scandal swept into the judiciary for the first time Friday when a senior Milan judge was placed under arrest and accused of involvement in what may have been the greatest of Italy's scandals, the government buyout in 1990 of the big Enimont chemical corporation.

Italy's previous scandals have implicated the Mafia, business leaders and the politicians. But the arrest Friday of Diego Curto revealed apparently startling levels of corruption in the judiciary, which has emerged until now as the white knight in uncovering the vast system of Italy's patronage and power.

What most shocked Italians about the arrest of Judge Curto, 68, who is the deputy head of the civil court and a principal commercial law judge in Milan, the financial capital, was the allegation that he pocketed \$250,000 in kickbacks late as July. This was roughly 16 months into Italy's investigative frenzy, and only days after the apparent suicides of two principals in the high financial drama in which Judge Curto has been implicated.

Judge Curto, an impassioned author who has published several novels and dramas, was detained in nearby Brescia, where magistrates have been investigating his case.

This week, Justice Minister Giovanni Conso ordered an administrative investigation into his behavior as well.

The charges brought against Judge Curto involve abuse of office for personal enrichment, Milan officials said, and reflect the tangled web of financial, political and personal interests that has come to

light behind the facade of corporate Italy.

They date back to November 1990 and the corporate battle between the privately owned Montedison chemical corporation and its chairman, Raul Gardini, and the state-run chemical company Ente Nazionale Idrocarburi, or ENI, for corporate control of their Enimont chemical joint venture.

Investigators have been focusing on how ENI and its chairman, Gabriele Cagliari, together with ENI's owners at the Italian treasury, staved off a hostile takeover bid for Enimont by Mr. Gardini.

To this end, they evidently prevailed upon the state-owned Banca Commerciale Italiana, a major commercial bank, to refuse to underwrite Mr. Gardini's bid, then moved to have the Milan commercial court, through Judge Curto, sequester Enimont's shares, which were deposited with a Milan lawyer and Banca Commerciale board member named Vincenzo Palladino.

Ultimately the impasse was resolved when the government of the day prime minister, the Christian Democrat Ciriaco De Mita, worked out a deal whereby ENI paid an inflated sum to get Mr. Gardini and Montedison out of the Enimont venture, and Mr. Gardini and his associates in turn paid the major political parties in the government the equivalent of \$94 million in kickbacks.

Earlier this year, Mr. Gardini's big Ferruzzi group, which controls Montedison, came crashing down under the weight of \$20 billion in largely hidden debt.

Mr. Palladino has told investigators that he paid Judge Curto roughly \$250,000 cash in Swiss francs in late July for his compliant role in the Enimont financing.

Though the plan has yet to be approved by the Bosnian government, news reports of its



A Bosnian Croat in Sarajevo, mourning Friday at the tomb of her son, who died while serving with the Bosnian Army.

Can 'Mixed' Bosnia City Hold Together?

By David B. Ottaway
Washington Post Service

ZENICA, Bosnia-Herzegovina — Stretches of Zhenica, a Serb, has been married twice, to a Croat and now to a Muslim. He has four children: two are Catholic, the third a Muslim and the fourth an Orthodox Christian.

Everything is mixed in this family, we are a true Bosnian family," he said with pride, sitting together on a sofa with his wife and his 8-year-old son in their apartment here.

But both Mr. Tomasevic and his wife, Nadja, are deeply worried these days that multiethnic families like theirs, who make up almost 30 percent of Bosnia's 4.4 million population, have been doomed to an ugly fate by the latest peace plan worked out in Geneva for the partition of Bosnia into three ethnically based republics.

content were sufficient to begin sending cracks down Zenica's fragile ethnic seams and to set in motion preparations for the mass exodus of tens of thousands of Orthodox Serbs and Catholic Croats from the proposed Muslim republic.

Right now, Muslim authorities in Zenica are refusing to allow any Serbs or Croats to leave because, they say, they will be accused of "ethnic cleansing." But they concede that the exodus of most of the city's remaining 23,000 Croats and 10,000 Serbs is probably inevitable.

"Frankly speaking, I'm afraid of opening the roads because these Croats and Serbs will leave," said Ziad Imamovic, a Muslim city official. "But we should do our best to convince them that we consider them as citizens with equal rights."

But preparatory signs of a mass exodus are clearly visible along the "Boulevard of Brotherhood and Unity" that parallels the Bosna River running through the heart of Zenica as well as at the open-air market in the city's old quarters. Hundreds of Serbian and Croatian women can be seen selling clothes, china and other household goods for Deutsche marks or U.S. dollars.

Even those of mixed ethnic marriages like the Tomasevics, who insist they want to stay here, fear that life will prove impossible in a Muslim republic.

Mrs. Tomasevic said she now hears Muslims greeting each other for the first time with

Attack on U.S. Barracks Targets Bosnia Flight Base

The Associated Press

AVIANO, Italy — Men in a car fired shots and threw a small explosive at a United States military barracks near an air base used by American fighter planes operating flights over Bosnia-Herzegovina.

No one was hurt in the attack shortly before midnight Thursday, but bullets struck a dormitory and a window was shattered, said a base spokesman, Master Sergeant Reginald Dawkins.

He said the "apparent terrorist attack" had prompted on new security measures. More than 30 fighter jets and 2,600 personnel are stationed at the base.

The attack was the first against the base's facilities since flights originating there began on April 12 to enforce an air exclusion zone over Bosnia. The operation is being conducted by the North Atlantic Treaty Organization to prevent Serbian air attacks on Muslim areas.

The base was "already in a heightened state of alert" since the operation began, Mr. Dawkins said. There had been some peaceful protests before Thursday at the base, 100 kilometers (60 miles) northeast of Venice.

Guards noticed a black Saab pull up slowly about 11:30 P.M. Thursday near the gate of the barracks, about five kilometers from the base, and saw a man get out.

Seconds later another man inside the car fired "a rapid series of shots" from the sunroof and a "grenade-like bomb" went off inside the barracks grounds before the car sped away, Mr. Dawkins said.

U.S. Says Some in Russia Hinder POW Search

Washington Post Service

MOSCOW — Russia has given Washington new information on 1,300 U.S. planes that Moscow says were shot down by Soviet forces during the Korean War, but American officials complained that Russia continued to impede their search for missing pilots and other servicemen.

Malcolm Toon, U.S. chairman of a Russian-U.S. task force on POWs and MIAs, said Thursday that Russian country agencies had not fully cooperated in the commission's work.

Mr. Toon, a former U.S. ambassador to Moscow, praised President Boris N. Yeltsin and the Russian task force chairman, General Dmitri Volkogonov, but said that

others "have not been very forthcoming on this," especially with regard to Americans missing since the Korean War.

Mr. Toon said he agreed with American Volkogonov's conclusion that no Americans were still being held in Russia against their will. But U.S. task force members said they believed there may be more information in Russian files about Americans who may have been brought here during the Korean War or survived shoot-downs of intelligence-gathering planes during the Cold War.

Mr. Toon said it was less likely that Soviet officials had been heavily involved in interrogations of U.S. prisoners during the Vietnam War. Other task force members said that Soviet-North Vietnamese

relations appeared to have been far cooler during that war than many Americans supposed. This would have impeded Soviet access to crash sites and prisoners.

On the subject of Vietnam-era POWs, General Volkogonov said that a recently found Soviet document recounting a Vietnamese intelligence briefing was "authentic, we have no doubts about that."

But he said the information in the document, which listed far more U.S. prisoners in Vietnam than American sources had estimated, was "not quite accurate."

General Volkogonov said he believed that Vietnamese officials exaggerated the number of Americans they were holding in the briefing to Soviet officials.

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Legislature's Move Prolongs Its Standoff With Yeltsin

The Associated Press

MOSCOW — Russia's parliament backed away from a head-on clash with President Boris N. Yeltsin on Friday over his suspension of the vice president, vowing to let the Constitutional Court decide whether the move was legal.

The Supreme Soviet, Russia's standing legislative body, voted 144 to 10 to ask the court to rule on Mr. Yeltsin's decree suspending Vice President Alexander V. Rutskoi and First Deputy Prime Minister Vladimir F. Shumelko.

The legislature is asking for a ruling only on the part of the decree applying to Mr. Rutskoi. It put that part of the decree on hold until the court rules.

Mr. Rutskoi is a Yeltsin rival who has aligned himself with the enemies of president's free-market reforms.

Mr. Shumelko is one of the president's closest aides and one of the most ardent proponents of reform in the administration.

Their suspensions grew out of a spreading government corruption scandal, which itself is an outgrowth of the power struggle between Mr. Yeltsin and hard-liners.

But his book "June 22, 1941," published in 1965 and translated in the West, was an account of Stalin's actual prewar performance. The official Soviet view was that he had been a steady military commander of great wisdom.

Turkey Reinforces Border Troops

ANKARA (AP) — Turkey reinforced its troops on the Armenian border Friday and warned Armenia to withdraw from occupied Azerbaijani territory, while Turkish media reported an Iranian incursion into Azerbaijan.

Ankara, which has competed with Tehran for ties and influence in oil-rich Azerbaijan and other Muslim former Soviet republics, appeared initially to ease concern about Iran's meddling in the worsening conflict. "It would be natural for any regional country directly or indirectly affected by the Armenian attacks to take some measures deemed necessary for their region's security," a Foreign Ministry spokesman said.

Anatolian News Agency said Iranian "border guards" penetrated three kilometers into Azerbaijan to protect a jointly operated dam.

U.S. Helicopter Hit Over Mogadishu

WASHINGTON (Reuters) — A U.S. Army Blackhawk helicopter on routine night patrol over the Somali capital of Mogadishu was hit by a rocket, the Defense Department said.

A Pentagon spokesman said that one crew member had been slightly injured in the attack, which occurred Thursday over the southeast sector of the city. The crew member was taken to a field hospital and was expected to be released shortly.

The spokesman could not say who had fired the 57mm rocket. But the incident immediately fueled speculation that it may in some way be linked to forces loyal to Mohammed Farrah Aidid, the fugitive warlord.

Germans Suspect Grocer Faked Arson

TRIER, Germany (Reuters) — German prosecutors on Friday arrested an Afghan-born grocer on suspicion of arson, attempted murder and insurance fraud after he allegedly faked a night arson attack on his own shop.

The police suspected neo-Nazi after finding swastikas and xenophobic slogans sprayed on the remains of the burned-out house. Such an attack would have fit the pattern of racist violence that began after German reunification and has claimed at least 28 lives.

But the prosecutor's office in nearby Bad Kreuznach said it had found no evidence of forced entry into the house, although the fire began inside. It added that there had been traces of inflammable liquid on the clothes of the 40-year-old grocer, a naturalized German. The man denied the charges, the prosecutor's office said.

The typhoon, designated Yancy, winds up to 212 kilometers per hour. It broached the southern tip of Kyushu in the late afternoon and reached Miyazaki in the early evening before heading north toward western Honshu.

22 Feared Dead in Japan Typhoon

TOKYO (AFP) — At least 22 people were feared dead and dozens were injured late Friday after one of the most powerful Japanese typhoons in 50 years hit the southern island of Kyushu, the police and weather reporters said.

The Meteorological Agency warned that the typhoon might sweep the Japanese archipelago if it maintained its present course.

Hosokawa in Talks With Yeltsin Aide

TOKYO (AFP) — Prime Minister Morihiro Hosokawa of Japan called for a solution to the dispute over the Kuril Islands in talks with a close aide to President Boris N. Yeltsin, Jiji Press said Friday.

In a meeting with the former Russian state secretary Gennadi E. Burbulis, Mr. Hosokawa said that "responsible political leadership and decision-making" must replace "narrow-minded nationalism and domestic political strife" to resolve the dispute, Jiji Press said. The islands, off Japan's northern coast, were seized by the Soviet Union at the end of World War II.

Mr. Burbulis arrived in Japan on Thursday to help lay the groundwork for a visit by Mr. Yeltsin that is scheduled to take place next month.

China Dam Toll Decreased by 1,000

BEIJING (Reuters) — UN officials in Beijing said on Friday that 257 people were killed when a dam burst in China last week, not 1,257 as reported in Geneva on Thursday.

A UN Development Program official, Antonius Brock, said the UN's Department of Humanitarian Affairs in Geneva had misread a Chinese document, which actually reported only 257 people killed.

"They made a mix-up with the numbers in Geneva," Mr. Brock said at his Beijing office. "Thank goodness this was an error and the lower death count is the accurate one."

Catholic Shopkeeper Slain in Belfast

BELFAST (Reuters) — Protestant gunmen smashed down the door of a Roman Catholic shopkeeper's home on Friday and killed him in front of his six children, the police said.

He was the fourth person to die in one of the bloodiest weeks of the year in the region's sectarian conflict, with Protestant extremists stepping up their campaign. In addition, five persons have been wounded.

The masked gunmen used a sledgehammer to batter down the door and then ran up the stairs and shot the shopkeeper several times in the stomach. He died later in a hospital. The Ulster Freedom Fighters, an outlawed Protestant extremist group, admitted responsibility.

TRAVEL UPDATE

The underground shopping complex of Les Halles in central Paris was closed to the public Friday morning after clashes between youths and the police in which 20 youths were arrested and 10 police officers were injured overnight. The violence outside a police station began when street musicians were arrested.

China has joined the International Air Transport Association, which groups most of the world's airlines, the association said in Geneva. (AP)

A four-day strike has been called against Air-bus starting Monday by unions representing pilots and co-pilots, to protest the French airline's freight policy, but the carrier said it would be able to maintain an almost complete service for all scheduled flights. (AP)

A high Indian official has told the country's airline unions to stop "tormenting" passengers. Gulam Nabi Azad, the civil aviation and tourism minister, said the unions' "disrupting" of flights made it difficult to attract tourists. (AP)

Tourists have again been warned off from Turkey by a Kurdish separatist group that has been holding seven foreigners hostage since mid-August. The military chief of the Kurdistan Workers Party was quoted by the Kurdish press agency Kurd-ha as saying that tourism was helping Turkey to "finance the war in Kurdistan." (AP)

Kenya has banned all visits to the Molo area, a center of ethnic fighting in the country's Rift Valley Province, and declared the area a security zone in which political meetings cannot be held. (AP)

Alexander Nekrich, Historian, Dies

By Wolfgang Saxon
New York Times Service

Alexander M. Nekrich, 73, a Russian historian at Harvard University, died Tuesday at Mount Auburn Hospital in Cambridge, Massachusetts.

The cause was amyotrophic lateral sclerosis, known as Lou Gehrig's disease, said Adam Ulam, a colleague and former director of Harvard's Russian Research Center, where Mr. Nekrich was a senior research fellow.

Mr. Nekrich was allowed to leave the Soviet Union in 1976, some years after his freedom to write and work there had been curtailed by the academic establishment, subservient to Communist Party ideologues. He joined the Harvard faculty as a research fellow and was made a senior fellow in 1987.

Born in Baku, Azerbaijan, he graduated from Moscow State University and earned a Ph.D. at Moscow's Institute of History of the Academy of Sciences, where he also received a postdoctoral degree. From 1956 until 1976 he held the title of senior scholar at the history institute.

His predecessor, Sir Gordon Newton, had transformed the paper from, essentially, a stock market data sheet into Britain's leading source of business information. He also peopled the rapidly growing paper with writers of high academic caliber, and Mr. Fisher was one of his recruits.

Under Mr. Fisher's guidance, the Financial Times turned into a European journal of information and opinion.

Fluent in German, he recently completed a study of Soviet-German relations between the wars, which is headed for publication, Mr. Ulam said.

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Expressway Open Amid Toll Protest In Bangkok

BANGKOK — The long-delayed opening of a new expressway caused more chaos than relief in traffic-choked Bangkok on Friday, with some drivers boycotting the road in protest against higher tolls.

The road was mostly empty of traffic Friday after the state-run Expressway and Rapid Transit Authority of Thailand used a court order to force its opening on Thursday against the will of the builder, Bangkok Expressway Co. The transit authority and the builder are in a dispute over how to share the toll money.

The transit authority had obtained the court order on the grounds of national emergency. It cited anonymous threats that failing to open the road might incite mob violence.

The road has been virtually completed for five months, but its opening was delayed by the dispute. Some foreign analysts said that the government's move to force it open was likely to hurt Thailand's image.

Drivers who called a traffic radio station said they would boycott the \$1 billion project to protest a 30 baht (\$1.20) toll imposed from Thursday on both the new expressway and the older one to which it connects. The toll on the old road was 15 baht.



Michael Jackson arriving Friday in Taipei on his concert tour.

Singer Betrayed Trust, Lawyer for Boy Says

BEVERLY HILLS, California — A lawyer for the boy who has accused Michael Jackson of molesting him said the entertainer had betrayed the boy's trust and deserved to end up in court.

"My client wants to have his day in court," said the lawyer, Gloria Allred. "He wants the truth to come out. He is ready. He is willing. He is able to testify."

In the first public comment from a representative of the 13-year-old boy, the lawyer said her client has been brave enough to tell a therapist what happened to him. She did not say what that was.

Sources and documents have stated that the boy alleged that Mr. Jackson sexually abused him during a four-month relationship.

Those allegations prompted a police investigation of Mr. Jackson, 35. He has not been charged with any crime and has denied wrongdoing.

The singer, who is on a world concert tour, arrived in Taipei on Friday for two performances.

"Many people love and trust Michael Jackson," Ms. Allred said. "Our client loved him and trusted him as well. Unfortunately that trust has been destroyed."

She said she had many questions that needed answering.

"Why is Michael Jackson, an adult, repeatedly sleeping in the same bed with a young boy?" she asked. The boy countered that Mr. Jackson often shared a bed with him during their relationship, according to documents.

Ms. Allred said that her client's story had not been told since the affair erupted and that the boy had been subjected to a "feeding frenzy with the media getting their food only from one side of the table."

She lashed out at Mr. Jackson's representatives, who have asserted that molestation was alleged after Mr. Jackson spurned an extortion attempt by the boy's father.

"The question is," she asked, "should Mr. Jackson be held to the same standards of conduct as any other person, or does he think, and do his assorted yes men and front men think, that Mr. Jackson should be above the law?"

Mr. Jackson's sister, LaToya, said Thursday that when Mr. Jackson lived at the family home he used to spend nights in his room with young boys. "We really don't know" if the sexual abuse allegations against him are true, she said.

But she said in a televised interview that the public had been misled to her brother. "I stand by him 1,000 percent," she said.

Patten Says London Will Press For Hong Kong Reform Alone

HONG KONG — Governor Chris Patten, brushing aside warnings from Beijing, said Friday that Britain would press ahead alone with democratic reforms for Hong Kong with or without China's blessing.

"If we can't get an agreement, we would have to discharge our responsibilities before 1997," Mr. Patten said at a news conference.

"It is a point that has been both implicitly and explicitly recognized" by Foreign Minister Qian Qichen and other Chinese officials, Mr. Patten said.

Mr. Patten said the colony's Legislative Council would postpone consideration on the main reform bill to allow Chinese-British talks on the issue to go ahead.

But the past nine rounds of talks have failed to ease Beijing's fury about his proposal, which would allow the people of Hong Kong to elect, directly or indirectly, the majority of the legislature for the first time in 1995. Those would be the last elections under the British flag.

The Legislative Council currently has 60 members, 18 of whom are directly elected. Beijing's plans for the territory do not envision a legislature with a directly elected majority.

China, which resumes sovereignty over Hong Kong in 1997, has vociferously opposed Mr. Patten's plans, asserting they would violate all Chinese-British agreements.

Beijing has been deeply suspicious of Britain's motives in trying to widen the electoral base in the 1995 elections. Beijing-controlled media have portrayed the plan as a British plot to retain influence in Hong Kong after 1997.

Mr. Patten said London remained keen on reaching a settlement with Beijing that would deal with the principal issues. "The discussion is about whether the democratization which has already been agreed should be credible and fair," he said. "Whether it should provide us with a legislative council in due course which is credible or which is nearly a puppet."

Mr. Patten shied away from deadlines, but he repeated that legislative procedures must be started on time.

Thatcher Is Optimistic

The former British prime minister, Margaret Thatcher, said Friday in Malaysia that China's economic reforms were irreversible and would help spur democracy in the world's most populous nation, Reuters reported.

"I do not believe it is possible to turn the clock back on economic reform even if anyone should want to do so," Lady Thatcher said in a speech to local and foreign businessmen in Kuala Lumpur.

She said Communists could deconstruct democracy but, as recent events had shown, democracy followed economic freedom sooner or later and "no one can stop it."

"China is clearly following a different route to democracy from the former Soviet Union by giving priority to economic reform," she said. "But the end result will be greater freedom."

Vatican Envoy Sees 'Great Meaning' in China Visit

BEIJING — The first papal emissary officially invited to China said Friday that his visit had important implications for relations between the Holy See and Beijing.

The envoy, Cardinal Roger Etchegaray, said his mission had "great meaning for the Vatican, for China and for the Catholic Church."

The French prelate, who is expected to discuss Chinese-Vatican relations with top officials, said real progress could be made. Formal ties were broken off in 1957.

In a gesture to the prelate, China said it had released two Roman Catholic lay leaders from prison. According to John Kamm, a U.S. businessman and human rights campaigner often used by Beijing as a conduit for information on rights cases, the two are Zhang Youshun and Zhang Dapeng.

"The message came from a senior Chinese government and Communist Party official" on Friday, Mr. Kamm said by telephone from New York. He added that he saw no reason to doubt its accuracy.

Cardinal Etchegaray said shortly after he arrived Friday. "Beyond my presence at the opening of the seventh National Games on Saturday, I think that my visit to Beijing has a significance which is impossible to assess at the moment."

The cardinal is officially on a private visit to take part in China's National Games, which Beijing is trying to help promote its bid to be host of the 2000 Summer Olympics.

But the cardinal, who made a semi-official trip to China in 1980, is also an ambassador of Pope John Paul II, and this trip is considered a breakthrough after 36 years of animosity between the church and China's Communist government.

The cardinal's host is the chairman of the games, Sports Minister Wu Shaozou.

"I came back to China by the door of sports," the cardinal joked.

He said he would stay in China "three or four days" and "have meetings at a high level," but did not say whom he would be meeting, or if they included a representative of China's official Catholic church.

He also declined to say if a possible visit to China by the Pope would be discussed.

The pontiff said in June he would like to visit China as soon as possible, and Beijing said last month it hoped to normalize relations with the Vatican.

After the Vatican dropped its recognition of China it established ties with Taiwan, and China in turn created its own "patriotic" church, which now has about 3 million followers.

An equal number of Chinese are thought to be loyal to the Vatican, but they would worship clandestinely.

Ties between the Vatican and China have intensified in recent months, but China has continued to insist that the church cease to recognize Taiwan before relations can be formalized. (AP, AP)

It's Official: Sihanouk to Return As King 38 Years After Abdication

PHNOM PENH — Prince Norodom Sihanouk, Cambodia's interim head of state, will again become king, 38 years after he abdicated to end a political crisis, the country's joint leaders said Friday.

"My father will be king," Prince Norodom Ranariddh said after returning from talks with his father in North Korea over whether Cambodia should return to a constitutional monarchy. Prince Ranariddh is one of two chairmen of Cambodia's interim government, along with Hun Sen.

Mr. Hun Sen appeared upset when the two arrived at Phnom Penh's airport. With a grim expression on his face, Mr. Hun Sen turned to reporters and said "monarchy" before getting in his car and speeding off.

Prince Sihanouk, 70, was appointed head of state in a UN-organized election in May to power his son's political party to prevent the country from falling into a variety of positions from his appointment as king in 1941 — when Cambodia was a French protectorate — until he was ousted in a 1970 coup led by Lon Nol in 1970. He abdicated in favor of his father, King Norodom Sihanouk, and became a perennial figure of Cambodian politics with the title of prince.

Twelve members of the constituent assembly, elected in a UN-organized election in May, had created a draft constitution that did not call for a constitutional monarchy, but the party led by Prince Ranariddh objected and said it would allow Prince Sihanouk to choose.

UN officials and many of the remaining members of the constituent assembly have complained that they were not allowed to see the draft and wished they had been given a chance to review it before it was given to Prince Sihanouk for approval.

Prince Sihanouk did not run in the UN-organized election, the cornerstone of the largest UN peace-keeping operation ever, costing \$2 billion.

Although many UN officials see Prince Sihanouk as the country's sole unifying figure, many also believe that bestowing royal authority on him would be a step backward after the enormous UN-backed effort to build democracy here.

"If the king was to be a real king, he must not be involved with politics," Ahmad Yahya, a lawmaker from Prince Ranariddh's party, said Friday. "Eighty percent of the national assembly wants a democratic constitution."

The constituent assembly is to debate the issue next week, but nobody is expected to contest the creation of a constitutional monarchy for fear of retribution from Prince Sihanouk.

During Prince Sihanouk's years in power, he exhibited little tolerance of criticism, and historians of the period say his secret police treated opponents harshly. He generally kept tight control of the nation's press.

The new constitution is expected to be adopted before Sept. 15, when Prince Sihanouk is to return to Cambodia.

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MIDEAST TALKS / 'A GREAT HISTORIC MOMENT'

'Among Jews in America There Is Hope for the Best, Fear of the Worst'

By Richard Bernstein
New York Times Service

NEW YORK — For Steven Spiegel, a Middle East historian at the University of California, Los Angeles, the prospect of a peace agreement between Israelis and Palestinians is the kind of thing an analyst lives for: what he calls "a great historic moment."

"My God," he recalled saying to himself when he heard reports that negotiations were close to an agreement. "That does it. This is the opportunity for the Middle East to make it into the 21st century. It now has a chance not to be a backwater. Israel has a chance to realize its potential to be the Singapore of the Middle East."

Across the country, as American Jews followed the progress of talks between Israel and the Palestine Liberation Organization, there was plenty of hope that at long last the Middle East could be at the beginning of a new era.

cities indicated a wide range of reactions. Perhaps the dominant one was a kind of hardheaded optimism, a feeling that recognition of the PLO and establishing relations with its leader, Yasser Arafat, was risky but promising.

But there were voices of caution, even a powerful sense of foreboding over a step that, some felt, was so fraught with uncertainty and danger that it was a mistake to be taking it.

"I think that the Jews think that they can solve the Arab problem, and I think that that is a terrible mistake," said Ruth R. Wisse, a professor of Yiddish and comparative literature at Harvard University.

Ms. Wisse's concern is that in dealing with Mr. Arafat the Israelis are, in effect, intervening in Arab politics, choosing the PLO chief, whom she called "a killer," to be the leader of the Gaza Strip in the West Bank and the Gaza Strip.

It things go wrong it is Israel that will bear responsibility, she said. "It's the

first time that an Israeli government is doing something for which I, as an American Jew, would not like to bear moral responsibility," she said.

For American Jews the possibility of peace gave rise to a sense of great port that the world as most have known it could possibly soon change, for the better or not.

Mr. Spiegel of UCLA, for example, said that if an agreement with the PLO was reached, it would be the equivalent of the third Zionist revolution, after the formation of the movement in Europe in the 1890s and the creation of the state of Israel in 1948.

"It's more than the Berlin Wall, because a whole range of political relations that were seen as inconceivable have now become possible," he said, looking beyond Israeli-PLO relations to the possible normalization of relations between Israel and such countries as Syria and Jordan.

Enmity between Israel and the Palestinians has been such an immutable theme of recent history that for many the idea of that enmity's coming to an end was difficult to grasp. Indeed, that fact alone probably contributed to the existence of two opposed analyses of the possible future. One, a cautious optimism shared by the leaders of the major Jewish organizations, seemed the majority view.

David Harris, the executive vice president of the American Jewish Committee, called the looming agreement potentially momentous.

"It may represent the first breakthrough on the Palestinian front in a century," Mr. Harris said, "and it creates a certain optimism."

"There's a great deal of confidence in the Rabin administration," he said, speaking of the feeling that Jewish organizations have for Prime Minister Yitzhak Rabin of Israel. "I think that Israel feels now that the risk of aggressive peacemaking presents more opportunity

and less risk down the road than the alternative of simply maintaining the status quo with its endless cycles of war, terrorism and hostility."

Offering the alternative, far more pessimistic view than the one prevailing in the major Jewish organizations was Norman Podhoretz, the editor of Commentary magazine, who worried that the deep desire in Israel for peace might be leading Israelis into a posture that, paradoxically, would require Israel to fight again.

"This is the first step toward the establishment of a Palestinian state, which I think will happen sooner rather than later," Mr. Podhoretz said. "And far from being a cause of peace and stability, I think it will be the cause of another war."

"As I see it," Mr. Podhoretz said, "the Palestinians have finally decided to adopt the so-called phase strategy, which calls for getting a foothold to begin with, a state in Phase 2, and then using the

state as a launching pad for a final assault."

Most people were ready to assume that the Israelis were in the best position to judge their own needs, and others expressed deep concerns about the ultimate intentions of the Palestinians and other Arabs.

When Haskel Lookstein, an Orthodox rabbi in New York, heard of the possible breakthrough in Israeli-Palestinian relations, it was a biblical reference that came to mind.

"I felt that if Isaac and Ishmael, the ancestors of the Jews and the Arabs, were unable to live in the same house 4,000 years ago, it is not preordained that they shouldn't be able to share the same section of the world today," said the rabbi of Congregation Kehilath Jeshurun in Manhattan.

"If this was a first step toward that sharing," he said, "it would bring a blessing to both peoples."

feelings of many of those interviewed, stressed the uncertainty involved. Indeed, few people voiced any objection to the principle of coming to terms with the PLO. Few opposed the principle of land for peace or of some form of self-rule for Palestinians in Gaza and the West Bank. But many also said it was impossible to know what the consequences would be if Mr. Arafat was given an official foothold in the West Bank.

"Some people and newspapers are making an interesting parallel to the collapse of the Berlin Wall, but there are real security issues here," Rabbi Lookstein said. "Basically, the PLO has always been committed to the destruction of Israel and, without wanting to use a cliché, I have to say that Israel can't afford to make a fatal mistake."

"So," the rabbi said, "people in my congregation feel that, yes, it's a very hopeful first step, but the real issue is what are the next steps going to be?"



President François Mitterrand of France and Mr. Peres after their meeting Friday in southwestern France.

GAZA: Dreams of Independence Yield to Grim Reality PLO:

Arafat Pleads

Continued from Page 1

initians as suspected collaborators. In many cases, the victims were brutalized, and the executions carried out to settle feuds or other grievances.

Still, the peace agreement with Israel has generated a surge of enthusiasm and hope that Israel's 26-year occupation of Gaza is about to come to an end.

In a survey by the East Jerusalem newspaper An-Naba, 70 percent of those questioned in Gaza approved of the Gaza-Jericho option, compared with only 45 percent in the West Bank, where Jericho is situated. Many Gazans share the hopes of Zaher Badir, a 27-year-old barber, who said it would "at least get us out of the occupation and the poverty we live in."

The agreement with Israel calls for the army to start pulling out of Gaza's urban centers in four months. The military government that runs day-to-day civil affairs will dissolve and the functions will be turned over to Palestinians. A Palestinian police force is to control the streets.

In nine months, elections are to be held for a new Palestinian council. If the experiment works, it will later be expanded in the West Bank.

the militant Hamas, which rejects any accommodation with Israel. Although many Palestinians recoil at the mention of a civil war, there are already hints of intercommunal conflict, such as the attack on the peace rally.

In theory, at least until elections are held, the early period of self-rule will be dominated by the PLO, which will have to control and shape this strip of coastline.

The PLO chairman, Yasser Arafat, has said the Palestine Liberation Army — about 5,000 fighters dispersed among Arab states — will be brought into Gaza and Jericho as the new Palestinian police force. Thabab Loth, a political organizer here for the PLO, said, "We will do our best to avoid conflict."

But Hamas and other militants who oppose the peace agreement

are also on the march. "Yesterday, the West Bank and Gaza," said a graffiti on the walls in Gaza on Thursday. "Today, just Gaza Jericho. What is going to be tomorrow? The intifada continues! The struggle continues against occupation!"

At the Islamic Society here, Abu Abed, an Islamic judge who settles disputes between local residents, said that if the new Palestinian governing authority "will govern according to the laws of God, then all of us will be behind this authority."

But, he added, "if this authority will try to govern the people by fire and iron, for sure the people will fight it."

"I would like to see people living under the shadow of a real Islamic government," he said, holding up a Koran and insisting that Palestinians should adopt strict religious law — as is the case in Saudi Arabia — rather than secular laws governing most Arab states.

Hassan Deeb, a teacher who is a member of the board of the Islamic Society, said Hamas totally rejected the PLO-Israeli agreement.

"The whole agreement is wrong," he said. "We want all of Palestine, not just a piece of it. There is an Israel. There is Palestine, only."

Beyond that kind of opposition, the new Palestinian self-rule authority, if it ever becomes a reality, inherits other giant headaches, such as poor health care, a water and sanitation system that the United Nations says is in critical condition, and an economy that has serious problems.

Continued from Page 1

ing aides, said a meeting of the Palestine Liberation Organization's Executive Committee would take place almost immediately after the Gaza meeting, and possibly as early as Sunday. There, Mr. Arafat is expected to face more intense opposition from Syrian-based Palestinian hard-liners such as Georges Habash and Nayef Hawatmeh.

Although Mr. Arafat expects to be able to nail down enough support for the limited-autonomy plan so that it could be signed as early as next week, Palestinian sources said the question of reaching mutual recognition with Israel was much stickier.

Acknowledging that recognition has emerged as a trickier issue, Foreign Minister Shimon Peres of Israel said in France on Friday that there was no reason the accord could not take effect right away even if mutual recognition "takes another few days."

Syria Praises Israel

Syria on Friday praised Israeli seriousness in the talks and held out the prospect of a "firm, solid, real, honorable, just and comprehensive" peace agreement, Reuters reported from Damascus.

A commentary on the state-controlled Damascus radio repeated Syria's demands for a complete Israeli withdrawal from Arab land occupied in the 1967 war and said Syria would not allow Israel to blackmail it.

'Complete Peace Very Near,' Peres Says

Compiled by Our Staff From Dispatches

PARIS — Foreign Minister Shimon Peres of Israel said Friday that a Palestinian self-rule agreement for occupied territories and mutual recognition between Israel and the Palestine Liberation Organization were separate issues that did not require simultaneous signing.

He also said that an accord between Israelis and Palestinians could be a catalyst for other talks including with Syria, and predicted that complete peace was at hand.

"We are very near in complete peace," Mr. Peres said after a three-hour meeting with President François Mitterrand at the latter's country home in southwestern France.

"It is the only way out for the Arabs, for us and for the world. I am convinced we will reach it," Mr. Peres said. "The peace between us

and the PLO must be transformed into peace for the entire region."

He gave no timetable for signing the accord for Palestinian self-rule in Gaza and Jericho or for mutual recognition between Israel and the PLO.

"I hope very much that it will happen in a few days," he said. "There is a lot of determination, but no date."

Success will require meeting Palestinian economic needs, Mr. Peres said, adding that Israel would contribute. Mr. Mitterrand said that Paris would "very positively" view any such request.

It was not known if the meeting resolved any difficulties or what the focus was. France has played a mediating role in the Middle East peace process.

Evidence that such concerns remain were underscored by the pres-

ence in Paris of Norway's foreign minister, extending Oslo's role in months of secret talks that led to the accord.

A spokesman for the Norwegian Embassy confirmed the unannounced visit by Foreign Minister Johan Jorgen Holst, but said it had no details. "It seems the game is not yet over," the spokesman said.

Negotiators for Israel and the PLO met for months in a secret location in Norway to hammer out the accord, unknown to delegates holding peace talks in Washington.

In an interview on French radio, Mr. Peres reiterated that the autonomy accord could be signed before the PLO and Israel officially recognize each other.

"There are two separate issues," he said.

He also said that Israel opposed a visit to occupied areas by Yasser

Arafat, chairman of the PLO, as long as the mutual recognition issue was unresolved.

Asked if Mr. Arafat and his associates could then establish themselves in Jericho, Mr. Peres said: "If there is recognition, yes. Otherwise, no."

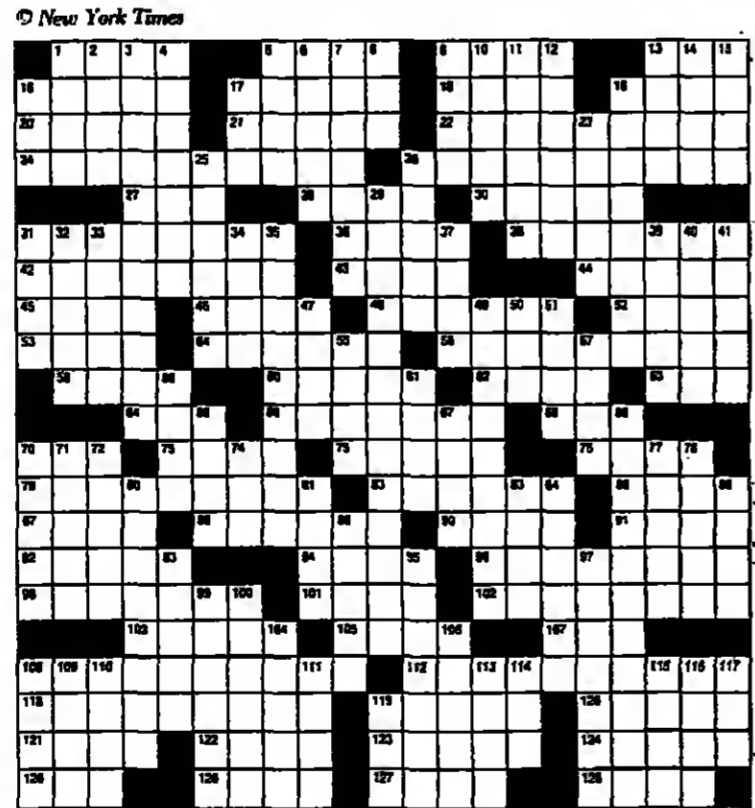
Asked if last month's titling of the self-rule accords between Israeli and PLO officials in Oslo did not in itself represent Israeli recognition of the PLO, Mr. Peres replied:

"Yes and no. There is a difference between formal recognition and the current situation." He said mutual recognition meant the PLO would have to denounce those parts of its charter calling for the destruction of the state of Israel as well as pledge itself to peace and not to "terrorism." (Reuters, AP)

WELL, I DECLARE! By Nancy Scandrett Ross

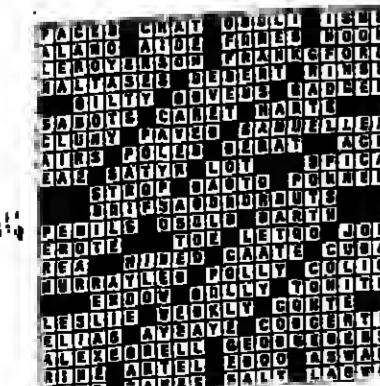
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- 18 "Winnie — Pur; Lenard
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- 90 Clytemnestra's mother
- 91 Bombardier
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- 96 Crested parrot
- 98 Pays up
- 101 Word before Baker
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- 103 Waste maker
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- 107 Score dir.
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- 112 Anything's belief?
- 118 Bridge supports
- 119 To drink, in Dijon
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- DOWN
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- 2 Soprano Wilma
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- 5 "The —," Tom Cruise film
- 6 Cradle of Texas liberty
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- 8 Soubrier or meager
- 9 "Matelot" author
- 10 On the Ligurian
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- 35 "Younger Than Springtime" girl et al.
- 41 Administrative divisions of ancient Africa
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- 119 Fold sound

New York Times



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Solution to Puzzle of Aug. 28-29



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Herald Tribune

Published With The New York Times and The Washington Post

Economics of Re-election

The economic strategies of American presidents are usually set early in their terms. In the budget review published this week, President Bill Clinton laid out the forecast on which he hopes to run for re-election. His next great project, health care reform, will strongly affect the outlook, but chiefly in the years after 1996. The passage of his budget, with its promise of lower deficits, has now set the course — he hopes — for the next three years.

It translates, according to his economists, into a slow but continuous decline in unemployment and a slight rise in inflation. If it actually works out that way, he will be in a considerably better position in 1996 than President George Bush was last year. But will it be sufficiently better to secure the election?

It is a forecast for consistent but moderate growth, far less than some of his own party want to see. At the time of last year's election, the unemployment rate was 7.3 percent. It fell to 6.8 percent in July and the White House expects it will be around 5.9 percent in 1996. The other key factor in election economics, the inflation rate, was around 3 percent a year in November and, according to the forecast, will drift slowly up to 3.5 percent over the next three years.

Of those two rates, unemployment is al-

ways more important in politics, as long as inflation stays low. But when inflation approaches 5 percent, it overshadows all other indicators and generates widespread hostility toward the incumbent administration. In his first two years in office Mr. Bush was up in the danger zone even before Iraq invaded Kuwait, sending oil prices leaping upward and tipping the country into recession. Between inflation and recession, there was no point in his term at which Mr. Bush seemed to have the economy on an even keel.

While Mr. Clinton does not promise any sudden or dramatic changes in the economy's performance, he can argue plausibly that he has got it stabilized and that things will gradually improve. Unless, of course, some unpleasant surprise knocks his forecast askew. His budget director, Leon Panetta, cites three major risks: Inflation may go higher than anticipated; long-term interest rates may rise faster than the forecast suggests; and conditions might get worse among the industrial countries that are the big customers for U.S. exports. Of those three risks, the third seems most imminent, with slow growth in Japan and a severe decline in Germany. The forecast depends on much that American policy cannot control.

— THE WASHINGTON POST.

Defense: Cut the Padding

With its only superpower enemy having retired from the global battlefield, does a fiscally strapped United States still need to spend more than \$1.2 trillion over the next five years for defense? It is hard to see why. But that is the number on the bottom line of the Pentagon's new "bottom up review," unveiled by Secretary of Defense Les Aspin.

By cutting perhaps \$120 billion more than the Bush administration had planned over the five-year period and scrapping some of the forces and weapons aimed solely at the now-vanished Soviet threat, the review makes a modest start at adjusting defense budgets to new international realities. But the start is too modest to do justice to competing fiscal needs.

Sure, it's still a dangerous world, and it would be reckless and economically disruptive to abruptly shrink America's defense effort to the levels other countries consider comfortable. One reason most U.S. allies spend less is that they count on America to spend more.

The Pentagon document's greatest merit is that it usefully reorients U.S. strategy away from confronting the vanished Soviet Union toward more plausible regional threats, and scraps a handful of weapons programs that no longer serve any realistic purpose. But then it ingeniously touts up the costs of fighting regional wars with conventional weapons in ways that make them nearly as expensive as facing down the thermonuclear weapons and intercontinental missiles of the old Warsaw Pact.

One reason for the high costs is Mr. Aspin's determination not to give allies a veto on whether the United States takes military action against regional aggressors like Saddam Hussein or, potentially, North Korea's Kim Il Song.

Given the Europeans' performance on Bosnia, the secretary's concerns are understandable. But U.S. allies are not likely ever to be induced into more constructive multilateralism if Washington budgeters continue to offer them a free ride.

Besides assigning too much of the regional-conflict burden to American taxpayers, the Pentagon's program keeps alive a number of no longer needed weapons programs. The acknowledged reason is to keep production lines in place, preserve defense industry jobs and ease economic pressures on military contractors. For example, the main rationale for building a third Seawolf attack submarine, at \$2.4 billion, and a new nuclear carrier, at \$3.6 billion, is to keep afloat the Connecticut and Virginia shipyards that construct them.

This seems to reaffirm the old political truth that defense lobbyists have a much easier time protecting their endangered programs than do those who press for public investment programs. Last month, administration initiatives like youth apprenticeship, college tuition aid and even adjustment assistance for those thrown out of nondefense jobs were cut sharply to meet budget reduction targets.

President Bill Clinton's obvious political need is to avoid further disaffection in states like California, Connecticut and Virginia, already hard hit by base closings and procurement cuts. But slighting more critical national needs is no answer.

Mr. Aspin's handiwork needs to be re-reviewed by the White House and Congress. The security of America depends on a realistic defense budget, not a padded one.

— THE NEW YORK TIMES.

That Heavenly Rhetoric

Is Shakespeare truly the ruling genius of English literature, or was he just another writer? Is the insistence on teaching Shakespeare to schoolchildren merely a sinister plot to bolster the agenda of the right? Was Shakespeare a misogynist? A bourgeois hegemonist? An apologist for imperialism?

If you, gentle reader, don't have an opinion on any of these questions, never fear: Academics, a whole raft of them, have plenty. Together they have created a publishing mini-industry that has lately been labeled the Bardbiz.

Did you think "King Lear" was about a relationship between father and daughter? Please. It is really about "new forms of social organization and affective relationships." In your naïveté, did you believe the sonnets to be a great fistful of small gems, to be taken out and examined from different angles over the course of a lifetime? No, no, no. They merely "articulate the frustration of language's indeterminacy." And of course "The Tempest" is merely an allegory about colonialism. We all know that.

It is kind of nice that so many self-important people are paying attention to old Will,

genius or not. But what does it mean to most of his hardy and doggedly loyal fans, who merely wish to keep turning up to drink in the delights of his spoken lines?

Will the pinched pronouncements of these few critics trickle down to their students and eventually into school curriculums — with the result that Shakespeare will be taught or not as an optional extra — just another writer?

It is a privileged but shrinking group who had at least one play, at least one sonnet, drummed into their heads as adolescents. They still go forth and find magic from that source. Maybe one was Gus Van Sant, who used "Henry IV, Part I" as the basis for his quirky film "My Own Private Idaho," in which Elizabethan lines, word for word, issued credibly from Mr. Van Sant's characters in a derelict building in Portland, Oregon.

Let the academics prattle. They're a bunch of myopic sportsmen who miss the point entirely. Shakespeare stretches gracefully from the Globe to Portland, picking up new converts every hour. He needs no further defense.

— THE NEW YORK TIMES.

Other Comment

Mideast: The Timing, the Stakes

Did Israel wait too long to negotiate with the Palestine Liberation Organization? The PLO isn't what it was when Yasser Arafat, supported by the treasures of the most moderate Arab countries, brandished an olive branch in one hand and the weapon of international terrorism in the other. Is the PLO that Israel is ready to recognize still a valid negotiating partner? The PLO, on the verge of breaking up, has been passed up at the grass roots by Islamic extremists, well-financed by Tehran. Who's going to police the new autonomous province of Gaza? Let's not talk about terrorist acts. If they return at any level at all, the Israeli Army will come quickly by helicopter.

— Le Figaro (Paris).

The agreement reached between the PLO and Israel is too important to be reduced to "Realpolitik." Israel is not simply a state. As stakes are factors that affect the international political equilibrium and the destiny of entire peoples. It is not a question of "simply" redefining territorial boundaries and political sovereignty, but of imagining, of inventing the key to the relationship between great strategic areas, between worlds which have been in conflict for centuries, between cultures and languages. The balance among the Mediterranean religions, and therefore between the Western and the Islamic world, passes through this region. What becomes of us will be decided in great part by what the tragically inseparable Jews and Palestinians decide.

— L'Unità (Rome).

Parallels To Earlier Jungles

By Jeane Kirkpatrick

NEW YORK — Is it impossible for people to learn from the experience of others, for one generation to learn from those who came before? Have the leaders of the Western world forgotten the famous lessons of the century — of Munich and of Vietnam? There are no perfect historical analogies. But personality types and behavior patterns recur, and this makes the lessons of one period relevant and useful to the problems of the next — as the experience of Munich relates to Bosnia, for example.

The deal cut by Britain and France at Munich on Sept. 28, 1938, and forced by them on a reluctant Czechoslovakia, which led directly to Hitler's further aggression, is not exactly like the deal worked out by Lord David Owen and Thorwald Stoltenberg and urged on unwilling Bosnians. Serbia is not Germany, and Slobodan Milosevic lacks some of the political skills of Adolf Hitler.

Still, these events have much in common. At Munich, Western powers formally accepted the dismemberment of a Central European state and offered international guarantees even as they urged on Czechoslovakia surrender of territory and defensibility. The deal was done by honorable, well-intentioned men. They hoped to preserve a semblance of peace and believed that territorial concessions would appease the expansionist, nationalist Nazi government, whose leader was notable for extremism, chauvinism, religious intolerance and violence.

The French news magazine *Le Point* recently noted the similarity between Nazi and Serbian governments and leaders and wrote that Mr. Milosevic has, by his record of rapes, murders, torture and mass deportations, "earned a place for himself among the great villains of the century — Hitler, Mussolini, Stalin." He is right, it notes, the big winner in Yugoslavia's civil war.

Western diplomats again are ready to recognize borders changed by force and to coerce victims of aggression into accepting their country's dismemberment. Again the Western negotiators offer guarantees that the new borders will be respected more than the old.

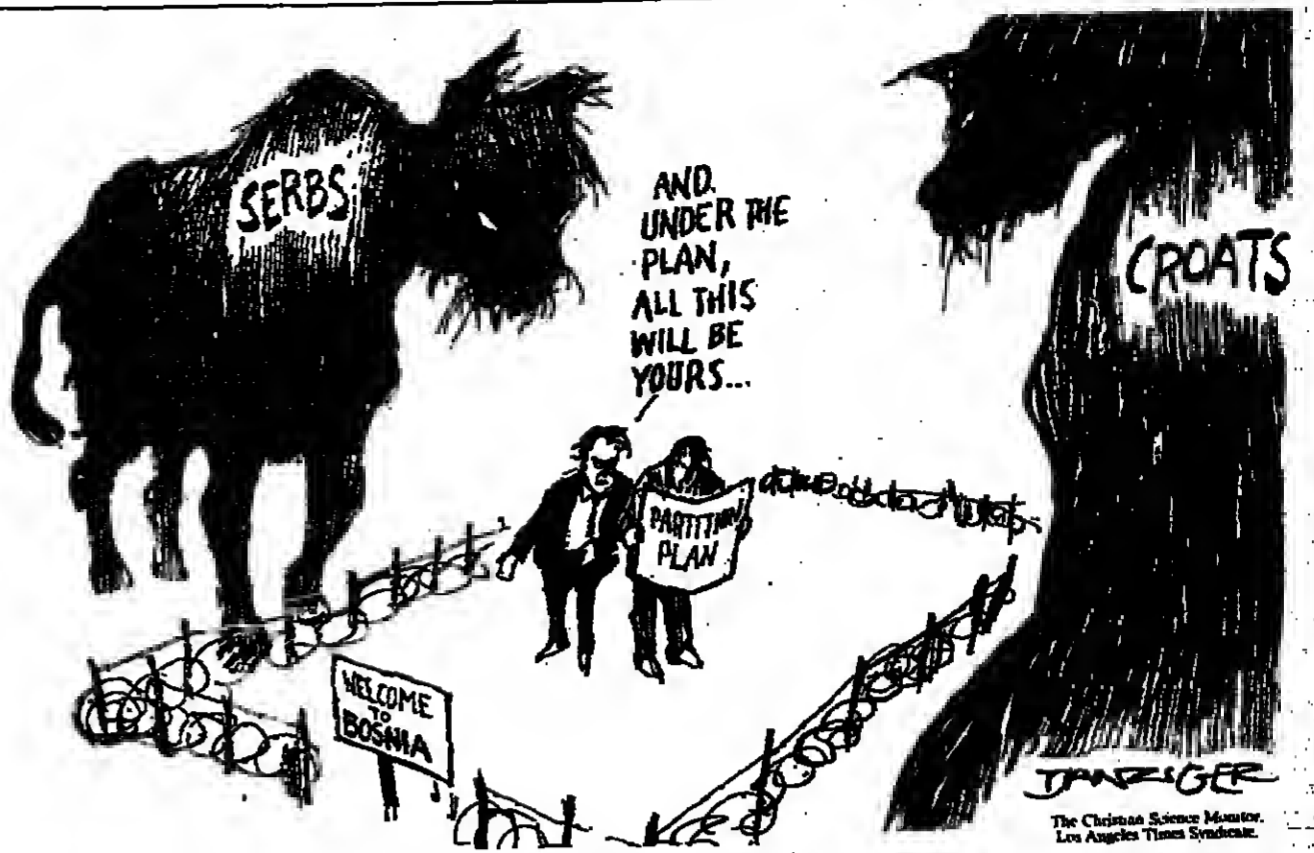
Will the appeasement of Mr. Milosevic prove not only dishonorable, but as unsuccessful as Munich in pacifying a Central European nationalist the world finds difficult to take seriously? Will Western guarantees of indefensible Bosnian borders prove no more reliable than Western guarantees of defense of a truncated Czechoslovakia? Yes.

Will the experience of appeasement demoralize France, Britain, the European Community and NATO as surrender to Hitler's demands demoralized Western governments in 1938 and 1939? Will it undermine their credibility and encourage further aggression? Yes.

Respect for the lessons of Munich and understanding of the folly of appeasement guided U.S. leaders from Harry Truman through George Bush. Does Bill Clinton, a man of a different generation, understand Munich's lessons? What would be done if he is desired to act on the basis of those lessons? Certain things are clear.

We should not speak or act as if neutral between aggressors and victims of aggression. We should not acquiesce in the acquisition of territory by force, or reward "ethnic cleansing" or enforce boundaries established by "ethnic cleansing" and force.

We should use U.S. or NATO air power — whichever seems more feasible — and, acting



The Cartoonist: Janziger, Los Angeles Times Syndicate.

under Article 51 of the UN Charter, break the siege and end the devastation imposed on Muslims by Serbian forces. We should block the flow of weapons, ammunition, fuel and foodstuff from Serbia into Bosnia.

We should not send thousands of U.S. ground troops to enforce an unjust settlement. Such open-ended deployment of forces in an enterprise with ambiguous goals, and which is opposed by the indigenous population, is extremely imprudent.

That brings me to the second great learning experience for the United States in this century — Vietnam. Mr. Clinton's commitment of U.S. troops to Somalia raises serious questions about whether he has studied the lessons of his generation's war.

The Vietnam War — like America's new commitment in Somalia — was born of honorable motives and dedicated to serving principles of nonaggression. But before it was over, Americans had learned that it was a terrible mistake to try to remake a culturally and geographically remote country, to rid it of a disliked leader and to install a different one. And before that long, frustrating, war had ended, the American military had learned

that minimum force and proportionate response do not work and cannot win at all. For Americans, are acceptable costs. The clearest lesson of Vietnam was that decisive force should be present in any future conflict to which American troops are committed.

Somalia is not Vietnam. There is no outside power ready to provide a flow of arms and ammunition. But nation-building in an underdeveloped society is still an impossible task. And a quagmire is still a dangerous place.

Neville Chamberlain and his colleagues was that "it left to them to act, in positions of high responsibility, in a jungle world that was irreconcilable with the civilized world in which they had been brought up. They were in their element in domestic social reform. ... They were horrified by the brutal world which had now suddenly and unexpectedly closed in around them."

Being a nice man committed to domestic social reform is no guarantee of success in international politics. President Clinton should be very careful or he will flunk the test on the lessons of history.

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Why Run This Heart-Stopping Risk?

By A. M. Rosenthal

NEW YORK — Phase One: creation of a Palestinian state controlled by the Palestine Liberation Organization. Phase Two: use of that state to carry on the struggle until "all Palestine territory," which means Israel, is under Palestinian domination.

For a quarter-century that has been the two-phase policy of the PLO. Sometimes it is stated formally — as at the PLO Cairo meeting in 1974. And day after day it has been proclaimed one way or another in PLO speeches to the Palestinian people.

History shows this was not bluff but passion. Once, the Palestinians could have had their state for the asking — under the UN partition plan. Rather than accept the price, living with Israel, they entered a half-century of warfare — military, political, economic and terrorist.

That is why one Israeli government after another, Labor and Likud, wanted the creation of an independent Palestinian state was a step toward Armageddon. And I suppose that is why so many Israelis developed the habit of following the phrase "Palestinian state" with another — "God forbid."

Now the Labor government is following a path that must inevitably lead to creation of an independent Palestinian state — in five years at most, likely a lot less.

For awhile Labor may deny this inevitability. But a government that is recognized by its enemy, that has control over land and over its own internal security, is a state in the PLO-Israeli agreement, that govern-

ment is a state. The world would logically accept that reality.

Why the acceptance by Israel of a state run by a terrorist organization that has slaughtered Israelis at home and abroad — and that is on its last legs because its leaders have made one idiotic decision after another?

The Israeli opposition charges that Prime Minister Yitzhak Rabin and Foreign Minister Shimon Peres are sacrificing their people's safety and freedom for political advantage. The word "treason" is not used, but it hangs in the air.

But those foreign supporters of Israel who are interested only in Israeli safety, not in which party rules, know that Labor leaders have fought as hard and long for Israel as Likud has. They have chosen this path with all its dangers because they believe that Phase Two can be stopped before it is ever launched.

That is the almost heart-stopping risk they are taking. They believe the Palestinians and the Arab nations are now ready to settle for a West Bank Palestine — and end the fight there.

Labor sees a different world around it. Palestinians no longer have the Soviet Union for support. Arab states are tired of supplying Palestinians with money and arms. Fundamentalism seems a far greater danger to them than do the Palestinians.

The first part of the understanding worked out between Israel and the PLO certainly is a good-thing

The Semitic Center Finds Grounds for All to Hope

By Rami G. Khouri

AMMAN, Jordan — The Palestinian-Israeli declaration of principles for peace, leading to initial Palestinian self-government in the Gaza Strip and the West Bank city of Jericho, deserves widespread support.

Flawed, secretive and vague as it may be, the agreement represents a heartening historical dynamic that the Middle East has not seen since the Zionist-Arab nationalist conflict started nearly a century ago: the self-confident assertion of the national and humanistic Semitic political center in a region long dominated by emotionalism, maximalism, militarism and fear.

The centrist forces of Semitic composure and realism — represented by the Palestine Liberation Organization chairman, Yasser Arafat, and the Labor Party-led Israeli leadership — have taken an enormous gamble.

They enjoy the support of the majority of their peoples, but they have to move decisively to translate daring hope into stable peace.

To many of us in the Middle East, the accord's self-evident vagueness and weaknesses are outweighed by its positive elements. It establishes mutual recognition between Israel and the PLO, and allows Palestinians and Israelis to envisage peaceful coexistence in two adjacent national entities.

It confirms both sides' acceptance of a gradual, peaceful resolution of the Arab-Israeli conflict and provides a realistic alternative to the Middle East's gruesome cycle of death and destruction. For the Palestinians, it represents a first, if small and symbolic, rollback of the 20th century's Zionist-Israeli domination of Palestine.

The procedural reservations raised by Palestinians and other Arabs are accurate and valid. Mr. Arafat and his small circle of advisers are secretive and autocratic, and Arab states like Jordan, Lebanon and Syria are deeply piqued about not having been consulted or informed ahead of time.

Arab states that thought they were negotiating with one another before each round of peace talks now feel rather foolish. Jordan also feels that Mr. Arafat's secretive ways erode the trust that must underpin the current Jordanian-Palestinian peace negotiating team and a future Jordanian-Palestinian confederation, and it resents being assigned a future role in

the region without being consulted. Arab anger at how the accord was reached will dissipate in time, but legitimate questions will linger.

Many Palestinians and other Arabs fear that the Gaza-Jericho formula institutionalizes Palestinian political weakness, fragmenting the integrity of the Israeli-occupied territories and holding out little or no hope of further significant Palestinian gains. They worry that Israel's bilateral engage-

Arab anger at how the accord was reached will dissipate in time.

ment of the Palestinians could grievously dilute the concept of a comprehensive Arab-Israeli peace accord based on UN Security Council Resolutions 242 and 338.

The burden is also on the PLO to address Palestinian-Arab concerns about potentially serious issues like the status of Jerusalem, refugee flows, economic investment decisions, military security and political settlements in the region.

If centrist Palestinians and Israelis are to overcome the often violent opposition they face, they should make every effort to assure that Israel's speedy military redeployment and transfer of authority achieve three things: First, the socioeconomic conditions of Palestinians in Palestine must be improved by investment and economic development, and a sense of hope and dignity fostered among Palestinians in other lands.

Second, there must be ironclad confirmation that self-rule in the Gaza Strip and Jericho is only the initial phase of a larger diplomatic dynamic that will restore Palestinian national rights and return Israeli-occupied lands to Syria, Lebanon and Jordan.

Finally, the Israelis must be convinced that now, having finally accepted the national reality and rights of the Palestinians, their nation can live in peace and security.

The writer, a Jordanian-Jordanian publisher and former editor of *The Jordan Times*, contributed this comment to *The New York Times*.

On China, America Misses the Point

By Philip Bowling

WASHINGTON — Chasing chemical shipments through the world trading technology over the Karamkor highway between China and Pakistan may be good sport for the post-Cold War CIA. But there are growing concerns that the U.S. crusade against arms proliferation is counterproductive. Worse, by diverting attention to marginal issues, this bit of moral one-upmanship appears likely to damage what it is supposed to protect: the strategic interests of the United States and its major allies.

The sanctions against China for allegedly transferring M-11 missile technology to Pakistan is one case in which any benefits are likely to be offset by a sense of U.S. "bullying." The Russians, already smarting from the U.S. clamp on their missile sales to India, will see in the M-11 affair another justification for their own increased military cooperation with China.

The Russians have already delivered Su-27 long-range fighters, and they are understood to have agreed to sell an array of advanced equipment. Just as significant, Russian experts, with or without official approval, are helping China upgrade its arms factories and fill gaps in its arms technology. The need for hard currency may be the main motivation in Russian arms sales, but mutual interest with China in being able to say "no" to the United States plays a part.

Next to the longer-term consequences of Chinese-Russian cooperation, the M-11 issue is almost irrelevant. The technical question of whether China has violated the Missile Technology Control Regime, which it has agreed to respect but has yet to sign, is marginal. China has a legitimate interest in its ties with neighbors. It is difficult to see how Pakistan's possession of medium-range missiles, even if they can extend the M-11's range, threatens any major U.S. interests. One could make the same statement about Iran. China has far more cause to worry about Islamic fundamentalism and the balance of power in Central Asia than does the United States.

Or consider the U.S. attitude on the Russian sale to India. Washington again intervened in a legitimate deal between two allies, which should be of no particular concern to anyone but Pakistan. Of course, it would be better if there were no enmity between India and Pakistan. But it is a fact of life. Neither India nor Pakistan is run by fanatics. Both already have nuclear capability and can deliver bombs by plane.

America's arm-twisting on marginal arms control

issues has brought it almost no gain. At the same time, it has encouraged Russian nationalists, a threat to U.S.-Russian relations, provided ammunition for Indian businessmen opposed to economic liberalization, which they can portray as a U.S.-inspired ploy against Indian sovereignty; and added to Islamic world paranoia that the United States had anything to keep Muslim nations weak. And it has fed anti-U.S. sentiment in the Chinese Army — the likely arbiter of any succession struggle once Deng Xiaoping leaves the scene.

Nor do Washington's self-destructive instincts on this issue end there. The United States has infuriated Jakarta, which it usually ignores; by refusing to let Jordan sell its some used U.S. F-16 fighter jets and interfering with an attempt to sell some helicopters to Iran. So it is not surprising to find U.S. allies like Malaysia and India in crude anti-American rhetoric and conspicuously buying planes from Russia and armored vehicles from China.

All this is endangering the real interests of the United States and its friends in Asia. Confronting China over marginal issues detracts from the important ones: Chinese cooperation in keeping North Korea out of nuclear mischief; providing enough arms to Taiwan to give it a sense of security; bolstering Russian-Japanese relations; and strengthening ties with countries in Southeast Asia.

The "divert" of Chinese arms sales is nothing compared with the threat posed by China's claim to the entire South China Sea. This claim, established in legislation passed last year, may be only theoretical. If not, it constitutes a direct threat to rival claimants to the sea's scattered islands and undersea resources, as well as to other nations in the region, such as Indonesia. The claim is a challenge to international navigation on the main sea route between Japan and Singapore and the Middle East and Europe. China's law gives it the right to deny passage of foreign warships, although only a quarter of the shores are Chinese.

Instead of joining with other concerned countries in a vigorous rejection of China's claim, the United States has, however unintentionally, encouraged it. Last year it gave the green light to U.S. companies to take part in a concession given by China to explore for oil in an area between Vietnam and Malaysia!

Moralizing over arms sales may make the Clinton administration feel good; it may enjoy playing Global Cop. But those in Asia who rely on U.S. power and influence are aggrieved to see it dissipated while bigger issues get scant attention.

International Herald Tribune.

deal for Israel — giving up Gaza. The price is clear — the emergence of a new Palestinian state on virtually all of the West Bank.

The Rabin government is making some assumptions that seem dangerous to me. It must assume that once a PLO state is set up it will not be taken over by Hizbollah or Hamas or the PLO's own hard-liners, all sworn to fight to the death against Israel.

Other Israelis, and I, make an opposite assumption: that it will be easier for the fundamentalists to take over a nice, neatly set-up little state, maybe even by free elections, than a scattered and feuding resistance movement.

My heart leaps at the thought that the Palestinians and Arabs have put Phase Two behind them forever. The promise of peace and amity rises from that thought, like the aroma of a rose.

But I hold back because I know that the Middle East is ruled largely by dictators and religious holy warriors who care no more for what the people wish than the fascists they so resemble. Benjamin Netanyahu, the Likud leader, is demanding an election because Labor did not make clear its plans before the last election. With or without elections, the debate in Israel will be terribly bitter and hard. Already American commentary is labeling the Likud as political heroes.

The best gift American friends can give Israel is to put away the political mudballs and listen more carefully to those on both sides of the most important decisions since the birth of Israel.

The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: France Isn't Alone

PARIS — *The Figaro* says: "The czar, by selecting the moment when the Kaiser, accompanied by the Prince of Naples, is entering Metz, to notify France that the Russian fleet is to visit Toulon, has proved that face to face with the Triple Alliance stands the Franco-Russian Alliance. The Germans, Italians and English, who have been impressing upon the French the political significance of the Italian Prince's presence at Metz, cannot doubt the significance of the arrival of the Russian Fleet. France is not alone in Europe."

1943: Italians Brace

LONDON — [From our New York edition:] "The Italian press and radio took a note close to despair today [Sept. 4] and the people are making no secret of their fearful expectation of Allied attacks elsewhere on the Italian coast. Rome radio declared in an English language broadcast to Great Britain that Italy would accept any Allied demands "that could possibly sound just and practicable." The radio also said: "Sudden attacks are possible, say probable, against other parts of the peninsula, and the whole of Italy is exposed to future blows. Therefore, the whole of Italy is in a state of alert. Italians realize the truth of the situation."

1918: A German Retreat

PARIS — Reeling under Marshal Foch's smashing blows, the defeated German armies are now in full retreat from the Lys front to Rheims. The line of the Vesle has been abandoned over a distance of nearly twenty miles, and the Franco-American forces are in close pursuit of the ene-

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سكرا من الاصل



Posters of the Mann brothers in Buddenbrookhaus.

Lübeck Honors 2 Native Sons

By Douglas Sutton

LÜBECK, Germany — Now marking its 850th anniversary, Lübeck is finally paying tribute to two of its most famous sons, the writers Thomas and Heinrich Mann.

The Buddenbrookhaus museum and center for Mano studies opened in early May, at Mengstrasse 4, a few blocks north of the Marktplatz. And it drives home how much 20th-century literature and film history would be missing without Heinrich (1871-1950) and Thomas (1875-1955) Mann.

We would not have such monumental works as "Buddenbrooks," "The Magic Mountain," or "Death in Venice," to name a few of Thomas Mann's major efforts; or would we have had the treat of seeing Marlene Dietrich, as a saucy nightclub singer seducing Emil Jannings, as a stogy middle-class bachelor, in the film "The Blue Angel" based on Heinrich Mann's "Professor Urat." It's not that Lübeck is lacking for attractions. Located about 70 kilometers (42 miles) northeast of Hamburg, it was the wealthiest and most powerful Baltic city of the Middle Ages.

"It has narrow streets," the Russian writer Nikolai Gogol said in 1836. "Some are so narrow, you can stick your hand out the window and shake hands with a person living across the way."

Lübeck still has that feel despite one 1942 bombing raid in which 8,500 bombs destroyed about one-fifth of the city, including the Mann brothers' boyhood home.

With its gabled roof houses, narrow cobblestone streets and back alleys, its towering churches and fortifications, and its wealth of architectural styles — Gothic, Renaissance, Baroque, Rococo, and Neoclassic — Lübeck is a favorite destination for hundreds of thousands of visitors a year.

Declared a world cultural heritage site by Unesco in 1987, the city is famous for its marzipan and for its "Rotspan" wine, Bordeaux aged in wooden casks. It is said that Napoleon's soldiers who occupied Lübeck in the early 1800s were the first to say that the wine tasted better than the Bordeaux back home, presumably because of the salt sea air.

In winter, visitors come for the Christmas bazaar, in summer for the Schleswig-Holstein Music Festival and to see the old-style Baltic Sea bathing resort of Travemünde a few miles to the north.

The Mann house was built in 1758 and had belonged to a grandfather of the two writers. Readers of "Buddenbrooks," (one of the works for which Thomas Mann was cited in winning the 1929 Nobel Prize for literature), will recognize it as the setting for much of the action in the novel. The house was gutted in the 1942 bombing, with only the facade left standing. A bank bought it in 1957, and built a new house behind the facade for use as an office. Finally in 1991, the city persuaded the bank to sell; with local, state and federal funds the museum was established.

That it has taken this long for Lübeck to establish the museum to the Manns is a story to itself. As the museum's exhibits show, the writers were a sore point to Lübeck. "Buddenbrooks," in fact, was a shocking inside look at the mercantile-patrician ruling class to which Mann belonged. Though names were changed, it still became a popular game in Lübeck to decipher who to the book was who in reality.

BOTH Maon brothers went into exile during the Nazi regime, and Thomas's wartime broadcasts to his German compatriots over BBC kept people in Lübeck very much aware of his anti-Nazi views.

Even in 1955, a year before his death, a vote by Lübeck's 49-seat city council to bestow honorary citizenship on Thomas Mann passed by only a single ballot.

"There is still one family here which hates Thomas Mann," remarked Susanne Hesse, a city guide. "This is over 90 years since 'Buddenbrooks,' so you can imagine how strongly people must have felt about it back then."

Lübeck also chafed at being the narrow-minded provincial town setting for two of Heinrich Mann's works. Heinrich, who died in exile in Santa Monica, California, did not become an honorary citizen.

But Hesse believes that Lübeck's burghers are now proud of the two writers. "I think this museum shows that the city has made peace with the Manns," she said.

Douglas Sutton is a journalist based in Hamburg.

Contemporary Culture in Leafy New England

KENT, Connecticut — Once upon a time, looking around for contemporary art was a task, a private affair shared by enthusiasts experimenting out of deep-seated conviction who bought from equally experimental galleries. They loved nothing better than the unexpected twists, the fantasy, the feeling of roaming freely over uncharted territory. Investment was not the issue and type hardly a problem. Could that time be coming back in a lush corner of New England?

It all started as a joke, very tongue-in-cheek. The setting of Act I in this play — call it "A Serious Comedy About Art" — is the stretch of leafy land that slopes

down from a beautiful 1790 house atop Geer Mountain to an old caboose, outside Central Station in Kent. Enter Jacques Kaplan, ex-New Yorker, ex-leading fashion-fur designer of the 1960s, ex-contemporary art broker of the 1970s, who bought Susan Rodenberg when no one knew the name and had among his closest friends Willem de Kooning, Mark Rothko and Larry Rivers. The year is 1982. Kaplan, touring the area, catches sight of the house and buys it on a whim. A year later he is having lunch by the train station. As he watches a woman clearing the contents of the caboose, gently rusting away on its rails that come from nowhere and lead nowhere, bits of his past run through his mind — his Paris childhood, the New York decades — and now this: Kent. In a flash, Kaplan decides to look up the owner, signs a one-year lease (renewed ever since) and calls the caboose the Paris-New York-Kent Gallery.

WITHIN weeks, the dealer has his first show — Ann Osenga. The woman painter never dreamed she would have one. Her naive trompe-l'oeil still lifes priced at a few hundred dollars each, a couple of thousand for the wildly expensive ones, are an instant hit. The New York expats who are quietly settling the area, town-wary but still yearning for the Art and Culture they left, love it, the touch of make-believe included.

Others follow — Paul Surtman, Carol MacDonald — and Kaplan, whom some would call Gold Fields, makes it sing. He has fun, the buyers are happy, the artists are too.

Act II begins when Kaplan's French wife, Violaine Bachelier, makes friends



Joy Brown earthenware figure at Bachelier-Cardonsky Gallery.

with another New York expat, Darby Cardonsky, the wife of an advertising executive, is a former art professional who fondly remembers her days with the prominent New York art dealer Samuel Spencer. The two women, itching to have their bit of fun, discover that the old Masonic Lodge, a lovely wood house of the 1850s, is available and by the end of 1988, open the Bachelier-Cardonsky Gallery.

The overly cautious might think that two contemporary art galleries for a quiet New England village is a bit much. The Kaplan approach is that to make it work, the thing is to turn Kent into a real art center.

Act III of this Marx-Brothers version of the art market begins with Kaplan

walking around the village, early in 1989, and dashing into every shop with nothing on display in the window to ask whether the owner would consider showing some works of art. The choices will be made by Bachelier and Kaplan, the display by Bachelier, and the profits on sales are to go entirely to the shop owner. Thus do the Boot Gallery, the Couture Gallery and the Café Gallery come into existence. Late in 1989, the number of contemporary art galleries in Kent stands at seven. By 1990, it has jumped to 12.

Just fancy names on country shops? At least one New York pro thought otherwise. At the heart of the recession in 1991, the Bill Goff Gallery, which focuses on art about baseball, moved from New York to

little Kent. Another very serious pro, Monique Knowlton, is about to make a similar move. The secret behind the success is a complex mix of factors.

At the heart of it is the sense of discovery — sometimes wonderful discoveries. The sculptor Peter Woytuk is one, and the story is a typical Kaplan gem. In the summer of 1985, the self-appointed Kent citizen goes to a local photographer named Nancy Tutko. Would she photograph 25 artists from the area selected by her, give each three photographs, requesting that the artist do with these whatever comes to his or her imagination, and finally bring Kaplan the resulting work for display in a show? Tutko accepts the commission, the show in which the artists handled their photographs in an endless variety of collages, cutouts is a roaring success — and Kaplan gets to know the artists, among whom is the 27-year-old Woytuk.

I went to see Woytuk, now 35, in the house that he built with his own hands in Wassaic in Dutchess County, New York. He was working on some of the bronze birds he now does, untroubled by a lively and vocal 4-year-old eager to help with the interview. "I had an upbringing that was about form and space," Woytuk says — his father is the architect who built the Citicorp Center in New York. The other major influence on his work was the sculptor Philip Grausman, a figurative artist much influenced by his long stay in Italy, who hired Woytuk to assist him. "I owe him this whole introduction to bronze of which I had no notion whatsoever," Woytuk says.

Grausman's influence was equally important in deflecting him from the "minimal sculpture" in which he indulged. In the last few years, Woytuk, fascinated by birds, has developed a highly original range of styles that have in common a rare sense of volume and suspended motion. They vary from his impressionistic "ravens," seen in postures of remarkable liveliness, faintly reminiscent of the Paris bronze maker Rembrandt Bugatti's birds earlier in this century, to quasi-abstract variations on the hen motif in marble or wood. The bronze pieces, done in editions of eight, displaying a most admirable mastery of pure form.

Since 1988, Kaplan has mounted three one-man shows for Woytuk. All were sold out. Kaplan says he has a waiting list of 30 buyers for whom there will be a pre-opening when his fourth Woytuk show goes on view at the end of October. The moderate prices, from \$1,500 to \$22,000 depending on size and subject, only part-

ly explain the success. If he continues in this line, Woytuk will sooner or later be recognized as the greatest animal sculptor of the Western world in the closing years of the 20th century.

The Kaplans' other great discovery is Joy Brown. Half the works in her one-woman show, which opens at Bachelier-Cardonsky on Saturday, have already been sold from photographs. She grew up in Japan, where her father, "a medical doctor missionary," opened a hospital in the 1950s and her mother passionately collected antiques and ceramics. "We lived with, used and treasured them," Brown recently wrote in *The Potter* magazine.

Predictably, she majored in ceramics in Florida, before returning to Japan to see her parents — briefly, she thought. But, as it turned out, she stayed there for five more years, the better part of which she spent as an apprentice with the 13th-generation potter Ichino Toshio.

THE large moon-faced figures of red and black stoneware she fires in the Japanese kiln she built in Kent 13 years ago defy classification. They betray the strong impact of the Japanese prehistoric Hamiwa earthenware figures, utterly transformed, however. The thickest Primitive bodies always seem on the verge of motion with a mixture of hot-air balloon lightness and peasant earnestness. At prices around \$6,000 to \$7,000, they are proving irresistible.

Bachelier's quest for new artists is ceaseless. Not many will have heard of Kathryn Mc Auliffe as a painter, even if some might recognize the name of the deputy director of the Museum of African Art in New York. Between 1989 and 1992, she painted a series of views called "Di Scams," followed by a number. Depending on one's mood, they may be seen as Expressionist abstractionism or as stylized figuration. One of these looks like a Kafkaesque maze of openings in gold, dark purple and bluish greens leading into black holes. When displayed last May, the \$1,000 picture sold on the opening day to a New York collector. Her prices range from \$1,000 to \$3,000.

Buyers now come from far away. From the show of Grausman's huge (three to nine feet high) beads of stone, polystyrene or bronze, which opens Saturday at Paris-New York-Kent, a \$36,000 bronze head (the cost of casting is huge) has been sold to a French couple with a residence in Kent. Gulliver is doing well in the Liliput of contemporary art.

Art of Damaged Environments: Insects on a Big Scale

By Mavis Guinard

ZÜRICH — Cornelia Hesse paints bugs. So well that her hyper-realistic illustrations have appeared in art magazines and on concert silks. But since the Chernobyl nuclear accident her watercolors have become disturbing. The insects to the pictures, blown up 22 times, look weirdly asymmetrical.

Hesse, a Swiss scientific illustrator, has graduated from doing brilliant marine life and cute ladybugs to showing what radioactivity does to insects. She has gathered specimens from areas under heavy fallout and close to nuclear reactors and she says a number of the bugs are deformed.

She works in Zurich, in a building where her father, a sculptor, and her mother, a graphic designer, also have their studios. In her all-white work space, surrounded by stacked watercolors, a box full of inventions to be next show, as well as labeled bugs collected over the weekend, Hesse at 49, looks young, sturdy and perfectly serene. What drove her to concentrate on these defects?

"Up to now, I always kept separate what I enjoy most, my scientific painting, and what I called my 'bread work,'" she said.

For more than 20 years, she worked for Professor Hans Burla at the Zoology Institute of Zurich University. "My lab work was —

how would you call it? — scientific drudgery: gathering statistics, illustrating papers, not with detailed sketches, but dry abstractions of the insects he was studying," she said. "But I kept on. Something medicinal in me liked the work."

Meanwhile, since the university job was only part time, Hesse did projects of her own, studying and painting minute coral organisms, poisonous fish and ladybugs. She pulls out some well-thumbed copies of *Du*. The last work she published in this avant-garde art magazine needs explaining. "These are the eyes from four generations of fast-breeding drosophilae used for genetic study," she said. "To modify the genes, we poisoned cornmeal mush with ethyl methane sulfonate. The fruit flies ate it, laid their eggs and the larvae grew in it. I recorded the mutations."

"The last generation showed only a cavity instead of a face. The lab workers nicknamed it Quasimodo."

Though her research did not require painting the flies, Hesse was hypnotized by the mutations: "I developed a miniature watercolor technique for my observations, using the tiniest brushes to apply repeated washes of color. By measuring every small detail, I believe I achieve the highest degree of accuracy."

Long before her concern for the environment, art came first. Her father, Gottfried Honegger, created monumental urban sculptures; her mother, Wajja Lavater, put out abstract children's books.

When Hesse decided to become a scientific illustrator, her parents tailored her training to order: First, scientific illustration at the University of Zoology in Zurich, then in a marine laboratory in Naples, finally at the Ecole des Beaux-Arts in Paris.

Her artistic work made her known. Besides illustrations, there were designs for silk scarves and



Insect, by Cornelia Hesse.

fabrics, a contest for oew Swiss banknotes, a trip to the South Pacific with 10 other promising European artists. This proved to be an eye-opener.

"In New Caledonia, I saw for the first time industrial damage," she said. "Dust from nickel ore carelessly loaded on ships within the lagoon had silted over the coral reef and was destroying species after species."

For Hesse, 1986 was a watershed year. "My marriage had broken up, my job had ended with Professor Burla's retirement; then in April came Chernobyl," she said. "I again worried about what would happen to insects. Scientists told me that the dosage was so small that I could not expect any changes. But I decided to see for myself."

She went to Sweden, where the highest measured fallout had been registered north of Uppsala. There she came across her first damaged bugs: with growths out of the eyes, deformities on bodies, wings, feelers and limbs. "I confirmed all my fears," she said.

Ever since, Hesse who now teaches in Zurich and in Mainz, spends weekends and vacations on field trips. "Some go to the Caribbean, I go to nuclear plants."

She went to the Ticino in Switzerland, where fallout had also been heavy, and in 1990, by joining a group of journalists and parliamentarians visiting Chernobyl be-

fore a Swiss vote on nuclear plants was able to gather insects near the restricted zone. They were misshapen.

Each year, Hesse investigates a new area. In 1989, she went to Britain, near Sellafield's nuclear waste reprocessing facility that had the first nuclear accident in 1957. In 1991, she went to the Three Mile Island plant in Pennsylvania, where, Hesse figured, 15 to 20 percent of the insects were damaged.

"I find it even higher in Switzerland, as high as 30 percent near nuclear plants," she said. "Though scientists poo-poo the idea, even a low level of radioactivity seems to affect the bugs."

Recently, Hesse who enjoys recognition as an artist, has received some support other than from environmentalists: A scientific study began at the Zurich Polytechnical School, and Professor Joan Davis, a water-protection specialist based at Zurich University, agrees with Hesse that more studies are needed, commenting: "Maybe low-level radiation is indeed playing havoc with life; or perhaps not."

"Numbers alone don't seem to move us; it is different with pictures. Mutated leaves and flies leave behind a different impression, a loud and clear signal that something is desperately wrong."

Cornelia Hesse's paintings will be at the Swiss Center in New York from Thursday to Oct. 24.

Mavis Guinard is a journalist based in Switzerland who specializes in cultural affairs.

BOOKS

THE EXILE: Cuba in the Heart of Miami

By David Rieff. 220 pages. \$21. Simon & Schuster.

Reviewed by Jorge I. Dominguez

EXILES are strangers in every land. They long for a country that no longer exists and they do not quite belong in the one in which they live. Exiles seek to remember the land of their ancestors and, in so doing, they often create a mythical, fantasy world that bears little relationship to reality.

Many people of Cuban origin who live in the United States call themselves exiles. The home in which their children were born may be Miami, but to their inner beings they feel abroad at home.

David Rieff's thoughtful and eminently readable account of the state of mind of many people of Cuban origin in today's Miami captures well the obsessions, the misremembrances, the joyful myths, and the anxieties of those whose true home exists only in their imagination.

is best given by a civic-minded mid-career architect. Life might be simple, he says, "if I could feel entirely Cuban" as the older successful banker does, "or entirely American, as my son . . . does. But when the U.S. plays Cuba in some international sport, I don't know who to root for."

Some people of Cuban origin in the United States have. They have constructed the modern city of Miami, a sleepy backwater no longer. They have endowed southern Florida with energy and complexity. They have become politically influential in ways rarely matched by most recent immigrant groups. And yet, most of that does not matter much.

The exiles are obsessed by their counterparts in power in Havana. They talk endlessly about the freedom-to-be in the homeland-to-become in a future-yet-to-happen. Today they dream in Cuban ever more feverishly to recall a land most have forgotten and many never

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سكوان الأصل

THE TRIB INDEX: 109.58

International Herald Tribune World Stock Index, composed of 230 internationally investible stocks from 20 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.

The index tracks U.S. dollar values of stocks in: Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Region	Approx. Weighting	Index	Prev.
Asia/Pacific	25%	108.22	106.58
Europe	40%	107.15	106.00
N. America	35%	94.13	94.07

Industry Sector	Index	Prev.	% Chg.
Energy	107.32	106.56	+0.72
Utilities	114.86	114.11	+0.66
Finance	121.16	119.89	+1.08
Services	117.92	117.24	+0.58
Capital Goods	104.70	103.67	+0.99
Raw Materials	107.12	106.90	+0.21
Consumer Goods	91.37	90.72	+0.72
Miscellaneous	110.47	109.41	+0.97

Forward Rates

Currency	30-day	60-day	90-day	3-month	6-month	9-month
Japanese dollar	1.490	1.454	1.472	1.257	1.254	1.259
Swiss franc	1.631	1.629	1.642	1.450	1.450	1.457
British pound	1.444	1.443	1.451	1.202	1.202	1.207

Currency & Interest Rates

Sept. 3

Currency	Per \$	Per 100	Yield
Japanese dollar	115.22	115.22	2.00%
Swiss franc	163.15	163.15	2.50%
British pound	167.85	167.85	5.00%

Key Money Rates

Instrument	Rate
1-month Treasury bill	3.11
3-month Treasury bill	3.11
1-year Treasury bill	3.11
1-year Treasury note	3.11
3-year Treasury note	3.11
5-year Treasury note	3.11
10-year Treasury note	3.11
15-year Treasury note	3.11
20-year Treasury note	3.11
30-year Treasury note	3.11
10-year Treasury bond	3.11
30-year Treasury bond	3.11

VW Says No Proof Found of Spying

By Ferdinand Protzman
New York Times Service
BONN — Volkswagen AG's supervisory board on Friday reiterated its support for its embattled boss, Josip Lopez de Arriortza, saying it had found no evidence he was guilty of industrial espionage.

General Motors Corp. and its German unit, Adam Opel AG, claim Mr. Lopez stole trade secrets when he jumped to VW in March.

The supervisory board met Friday to discuss VW's earnings and to listen to a report on the internal investigation of the "Lopez Affair." Volkswagen hired KPMG Deutsche Treuhandgesellschaft, a German accounting firm, to conduct the investigation of GM's claims.

It is unclear how much access to personnel and files VW has given the auditors. The internal investigation's credibility was also damaged when German prosecutors launched a surprise raid last week in which they seized scores of documents and computer disks.

Klaus Liesen, the chairman of the supervisory board, said, "up to now, no information was presented to the supervisory board which justifies the accusation of industrial espionage." He added that Mr. Lopez and Ferdinand Pich, VW's managing-board chairman, would stay with the company.

There have been persistent rumors in the financial markets that Mr. Lopez and possibly Mr. Pich would be dismissed at the meeting. Mr. Liesen said the auditors had not yet concluded their investigation. They would probably present the supervisory board with a final report at the end of October, he said.

Paris in the Driver's Seat France to Control Renault-Volvo Tie-Up

By Jacques Neher
International Herald Tribune
PARIS — A merger of Renault SA and Volvo AB, which could be announced as early as Monday, would leave France in control of the merged entity and pave the way for the state to sell off its stake in the French carmaker, analysts said.

The deal, worth some \$11 billion, would make Renault-Volvo the fourth-largest carmaker in Europe, behind Volkswagen AG, General Motors Corp.'s Adam Opel AG and PSA Peugeot-Citroen of France, and No. 2 in the global heavy-truck business, behind Mercedes-Benz. Total automotive sales would surpass \$41 billion.

Speculation of a pending merger announcement pushed Volvo's B shares up 2.3 percent, to 490 kroner (\$59.83) on the Stockholm Stock Exchange.

Analysts say the deal would create a corporate structure that would permit the French government to sell off a good chunk of Renault to the public while maintaining overall control. At the same time, it would allow Volvo's shareholders to profit from the privatization, which could take place next year.

Pushed by the French government, which in May put Renault on its list of 21 state-owned companies it plans to sell over the next few years, the two automotive companies have been in intense talks over the past few months and were reportedly aiming to announce a deal in time for the Frankfurt auto show, which starts Tuesday.

"I wouldn't be surprised if they tried to steal the show," said John Lawcar, automotive analyst with Data Resources/McGraw Hill in London.

The couple itself was keeping mum. "Over the past year we've seen so many stories about a final deal that never materialized," said a Renault spokeswoman late last week. "I think we just better wait until we have something to say."

Renault and Volvo announced an initial cross-shareholding alliance in February 1990, with Renault investing 13.4 billion francs (\$2.3 billion) in Volvo and Volvo investing 17 billion francs in the French automaker. Volvo currently holds 20 percent of Renault SA, and 45 percent of Renault's truck division. Renault in turn owns 8.25 percent of Volvo AB, 25 percent of Volvo Car Corp. and 45 percent of Volvo Truck Corp.

Since then, the two companies have found ways to cooperate in some areas, such as teaming up in purchasing and coordinating development of new car models, but a full merger has proved elusive.

Much of the difficulty has centered on sensitivities about how to structure the merged company, and who to put in charge. Both Renault and Volvo are viewed as the industrial crown jewels of their home countries, and negotiators have had to deal with protecting the conflicting interests of Renault and Volvo's shareholders while respecting nonbusiness concerns such as national pride.

Analysts envision a two-tiered corporate edifice made up of an investment company uniting a portion of Volvo's and the French state's interests, which would control an operating company below. The French and Swedes also would have direct interests in the operating company.

The chairman of the holding company, Mr. Lawson said, could alternate between an executive from the French and Swedish sides, while the operating company likely would be run by permanent managers.

Most observers are betting

Job Creation Stalled in U.S. Last Month

By Robert D. Hershey Jr.
New York Times Service
WASHINGTON — In reports raising fresh doubts about the durability of the economic recovery, the U.S. government said Friday that the number of payroll jobs fell in August for the first time in more than a year while its chief forecasting index turned down.

These and other sobering results more than offset improvements elsewhere among the figures, including a slight decline in the unemployment rate. As is often the case, jitters about the economy prompted a scramble to buy bonds — and that sent long-term interest rates skidding below 6 percent.

"The economy has slowed here in the summer," said Paul W. Boltz, economist at T. Rowe Price Associates, a Baltimore mutual-fund group. "These payroll figures really look worrisome."

At 6.7 percent, the unemployment rate was 0.1-point lower last month than in July, but this minimal change was too small to be considered by the Bureau of Labor Statistics to be statistically significant.

While the shrinkage in payroll jobs was a relatively modest 39,000, including losses from flooding in the Midwest, the general expectation had been for a gain of about 150,000. And not only was there a further 42,000 drop in manufacturing — bringing the total factory job loss since February to 239,000 — a gain in services was only another one-third as big as the average monthly rise since early 1992.

But at the same time, the Department's survey of households showed a 409,000 jump in the number of people with jobs, enough to more than absorb an increase in the work force and thin the ranks of the unemployed by 108,000.

Moreover, workers were called on to work an average of 12 minutes longer a week, driving hourly and weekly earnings sharply higher.

"It's kind of confusing," confessed Robert T. McGee, economist at Tokai Bank in New York, noting the various cross-currents in Friday's labor-market figures, a monthly report widely thought to be the best single indicator of the economy's performance as well as a window on the financial well-being of the nation's households.

The latest report also appeared at least superficially at odds with other recent data, including upward revisions in economic output for the spring quarter and for the years 1990-1992.

Separately, the Commerce Department's Index of Leading Indicators, designed to predict the course of the economy, edged down 0.1 percent in July, the seventh month in a row in which the index has moved in the opposite direction from the preceding month. The index had risen 0.1 percent in June.

ECONOMIC SCENE

Looking for a Better Way To Retrain the Laid-Off

By Sylvia Nasar
New York Times Service
WASHINGTON — When the factory in Portage, Pennsylvania, where she had worked for 20 years shut its doors last February, Mary Ann Bertolino, a sewing-machine operator, found no government assistance to enable her to train for a new occupation. The reason is that she used to sew men's topsuits, not men's shirts or women's nightgowns.

Under the patchwork of government programs to help workers permanently put out of jobs, the reason a worker has lost a job — imports, military cuts, the spotted owl — has to be the right one. The wrong one can mean that older workers whose job skills are no longer in demand are not eligible for much more than 26 weeks of unemployment checks and a bit of counseling.

American-made shirts and nightgowns have been hit hard by imports, so workers who used to sew them qualify for generous, long-term trade adjustment assistance. But topcoat orders dried up when the economy turned sour, so Mrs. Bertolino is not eligible for the extra help.

To change that, Labor Secretary Robert Reich proposes to overhaul the system by folding disparate programs into one giant "re-employment program." His proposal to grant assistance to dislocated workers no matter why their jobs vanished is supposed to ease the pain of economic change, especially for older, less-skilled and less-educated workers.

"The challenge," Mr. Reich said, "is to ease the transition of Americans from the old economy to a new one."

Striking back at the administration's critics, Mr. Reich made it clear that the proposal was also designed to blunt attacks from labor unions, many Democrats and the Perot camp that the North American Free Trade Agreement would cost jobs.

"The adjustment assistance program is an important political element in getting NAFTA approved," said a Senate staff aide.

The secretary's draft proposal has been circulated inside the administration and to various constituents for comment, a Labor Department spokesman said. The proposal, which was published last month in the trade journal Daily Labor Report, is being modified, but it will serve as a framework for legislation that could be introduced as early as November.

If the proposal is adopted by Congress, the new program would be financed with \$1.1 billion already earmarked in the 1994

Enough Easy Living, Kohl Tells Germans

Compiled by Our Staff From Dispatches
BONN — Chancellor Helmut Kohl on Friday urged Germans to study less, work more, retire later and expect less of the state if they hoped to maintain their competitiveness, industrial strength and social peace.

In a report, released a few days before the legislature returns to make the first sharp cuts in Germany's social-welfare program, Mr. Kohl said Germans needed to make "changes in their heads" to deal with the economic crisis.

About 3.5 million Germans are jobless, and bulwarks of German industry like the automobile and steel sectors are losing market share. Some steelworks are closing forever.

Deficit spending to help crippled Eastern Germany is keeping interest rates high and slowing recovery. Unemployment figures released Friday for August showed no improvement.

The 110-page report, which had been widely leaked before release, offered a glimpse of Mr. Kohl's strategy for next year's national elections, when his dozen years of leadership will be on the line. It is essentially a discussion document but it will be followed in coming years by legislation on cutting corporate taxes, reducing bureaucracy and other matters.

Major themes include rolling back the role of the state and privatizing state-owned companies and utilities.

New proposals include allowing the unemployed to work in return for modest pay on top of their unemployment benefit.

Mr. Kohl portrayed the program, based on a report by Economics Minister Günter Rexrodt, as a chance for Germans to come together in sacrifice to secure their future. "Now is not the time to lay blame for errors in the past," he said.

The opposition Social Democrats, pointing out that the chancellor promised "blooming landscapes" shortly after the 1990 reunification of Germany, called his report "an oath of disclosure for a failed economic policy."

Among the Big Three, Ford Motor Co. posted the best gains, reporting that its sales were 22.9 percent above year-ago levels in August, followed by General Motors Corp., whose sales were up 15.5 percent compared with the year-earlier period.

Chrysler Corp. said its sales were up 7.8 percent. Among the transplants, Nissan Motor Corp. reported an 88.3 percent surge in sales. Analysts had cautioned that the rising yen, which forced Japanese car companies to raise prices this year, may hurt their U.S. operations.

Car sales are a little weaker than in the second quarter, but still well above earlier in the year," said James O'Sullivan, economist at Morgan Guaranty Trust Co.

"The net trend in the last six months has been toward improvement," he said.

Clinton Aide Unsure on North American Treaty

The Associated Press
WASHINGTON — President Bill Clinton's chief lobbyist for the North American Free Trade Agreement said Congress was so divided on the accord that he was not certain it would be approved.

"I don't think anyone has the votes on either side to have that vote today and feel confident," William Daley said.

Mr. Clinton is expected to make a speech on the treaty and send the 2,000-page document and its side agreements on environmental and labor rules to Congress on Sept. 14, congressional sources said.

Hearings in Congress on the accord, which has been denounced by labor unions and many environmentalists, are planned for shortly after that time. Mr. Daley, brother of Chicago Mayor Richard M. Daley, was appointed by the president last month to lead the drive for legislative approval of the treaty.

The accord would, over a 15-year period, phase out most barriers to the movement of goods, services and capital among the United States, Mexico and Canada.

Mr. Daley and the U.S. trade representative, Mickey Kantor were speaking at a news conference called to rebut a 124-page book criticizing the treaty that was issued by Ross Perot, the billionaire businessman who ran for president as an independent candidate last year. Mr. Perot has been one of the most vocal critics of the accord.

Mr. Kantor said he was "a lot more optimistic" about winning ratification of the treaty than he was four months ago.

Several prominent Democrats have voiced serious concerns about the accord. Mr. Kantor said: "There will be Democrats for it and Democrats against it, just as there will be Republicans for it and against it. But I am confident there will be bipartisan support for NAFTA."

Mr. Kantor issued a 73-page rebuttal of Mr. Perot's book, charging that it was "riddled with inaccuracies, errors and misleading statements."

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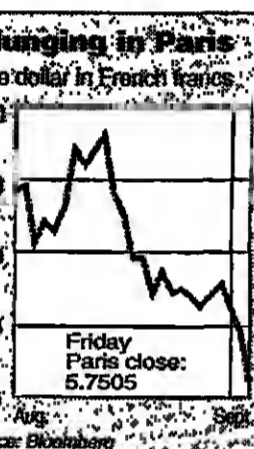
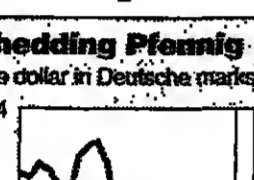
Stingy Bond Yields Give Lift to Stocks

revision for July was positive... NEW YORK — Tumbling bond yields lent support to stocks Friday...

The Dow Jones industrial average rose 7.83 points, to 3,633.93... N.Y. Stocks... and advancing issues on the New York Stock Exchange...

DOLLAR: Mark in the Spotlight

Continued from Page 1 higher income to be earned holding marks over expectations that the dollar would appreciate sharply once U.S. interest rates began to rise.



The Dow Jones Industrial Average

Dollar Reserves Set Record

NEW YORK — The Federal Reserve's portfolio of U.S. government securities held for foreign central banks and international agencies rose to a record level in the latest reporting week...

The portfolio, which has been steadily rising in recent weeks, rose \$75 million in the week ended Sept. 1 to a record of \$326.23 billion.

The inflated dollar reserves stemmed from the July crisis in the European Monetary System and huge Japanese trade surpluses that forced the Bank of Japan to prevent the dollar from falling below 100 yen.

EUROPEAN FUTURES

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Stock Indexes

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Financial

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Commodity

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U.S./AT THE CLOSE

GTE Plans to Cut 2,600 Positions

IRVING, Texas (Bloomberg) — GTE Corp. said Friday its GTE Telephone Operations unit would cut 2,600 positions in the United States in an effort to reduce costs.

The telecommunications company said more than half of the reductions would come from the elimination of positions that had been vacant since an early-retirement program earlier this year. About 1,000 of the positions to be cut will come from currently staffed positions.

Hicks Muse Targets Radio Stations

DALLAS (UPI) — Hicks Muse & Co. said Friday it had decided to pursue buying radio stations in the United States, citing eased restrictions on ownership that allow multiple stations to be owned in single markets.

Northwest Air Sees 3d-Period Profit

MINNEAPOLIS (Bloomberg) — Northwest Airlines said Friday it would be profitable in the third quarter, traditionally the industry's strongest period, but expected to post a loss for the full year.

American Air's Attendants Get Offer

FORT WORTH, Texas (AP) — American Airlines has proposed early retirement on \$600 a month for more than 6,000 flight attendants to return for their union's agreement to allow the carrier to put fewer attendants on airplanes.

New Bid Made for Katy Industries

ELGIN, Illinois (Bloomberg) — Rosecliff Penser Partners LP offered to acquire Katy Industries Inc. for \$266 million, or \$29 a share, the target company said Friday, outbidding the Carroll family, which controls 32 percent of Katy and is seeking the rest.

For the Record

General Motors Corp. said its Packard Electric division would purchase AZ Bela, a maker of automotive components based in Czechoslovakia with 700 employees. Terms were not disclosed.

Times Mirror Co., publisher of The Los Angeles Times, is considering selling its downtown Los Angeles headquarters as a cost-cutting measure, people familiar with the plan said.

Burlington Northern Inc. said floods in the Midwest this summer cost it \$75 million to \$80 million, reducing the railroad company's third-quarter profit by more than one-third.

WORLD STOCK MARKETS

Large table of world stock market indices for various cities including Amsterdam, Brussels, Frankfurt, London, Milan, Stockholm, Toronto, Zurich, Hong Kong, Singapore, Seoul, Taipei, Tokyo, Sydney, Paris, and Johannesburg.

US FUTURES

Table of US futures contracts including grains (Wheat, Corn, Soybean) and livestock (Cattle, Hogs).

Metals

Table of metals futures including Aluminum, Copper, Nickel, Lead, Zinc, and Tin.

Stock Indexes

Table of stock indices including NYSE, S&P 500, NASDAQ, and regional indices.

Financial

Table of financial instruments including Treasury bills, bonds, and interest rates.

Commodity

Table of commodity prices including oil, sugar, and other raw materials.

Metals

Table of metals prices including silver, platinum, and gold.

Stock Indexes

Table of stock indices including NYSE, S&P 500, and regional indices.

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Table of stock indices including NYSE, S&P 500, and regional indices.

Commodity

Table of commodity prices including oil, sugar, and other raw materials.

Bonn Sees Progress in U.S. Air Talks

BONN — Germany and the United States made progress in civil aviation talks this week but failed to complete an accord that Bonn hopes will give German airlines more access to U.S. airspace...

Bonn Rescues Recycling Ambitious National Plan Averts Crisis

BONN — Industries and local governments joined Friday to bail out the German recycling system, which was near collapse because about half the companies were not paying their dues...

Kohl Predicts Gains In Talks on Farm Subsidies With U.S.

BONN — Chancellor Helmut Kohl said Friday that Germany wanted the Uruguay round of the GATT negotiations to be completed by the end of the year...

Unemployment Up in Germany

BONN — German unemployment rose in August, the government said Friday, illustrating a country mired in its worst postwar recession...

MERGER: France Expected to Control a Combined Renault and Volvo

Continued from Page 9 that Louis Schweitzer, chairman of Renault, will end up with the top job on the operational level, and that Peir Gillenhammar, chairman of Volvo, will take a prominent role in the financial company...

FRANC: Support Begins to Waver for France's Strong-Currency Policy as Recession Raises Fears Among Elite

Continued from Page 1 currency defense ahead of efforts to stem the tide of Europe's worst recession in decades. "I think we're seeing a kind of phony period of stability," said Brendan Brown, chief economist at Mitsubishi Finance International in London...

Investor's Europe table with columns for Exchange, Index, and Change. Includes data for London FTSE 100, Paris CAC 40, Frankfurt DAX, and others.

Very briefly:

- British car sales in August surpassed the most optimistic forecast of 415,000 and may have reached 430,000 or more, industry sources said. The final total will be announced Saturday.

Spanish Unions Balk at Pact

MADRID — Unions said Friday that government proposals for social-pact negotiations were "unacceptable" and required too much of a sacrifice for plans "that do not create jobs."

NASDAQ

Friday's Prices NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

NASDAQ table with columns for 12 Month High Low Stock, Div, Yld PE, and High Low Last Chg. Lists various stock symbols and their prices.

Table with columns for 12 Month High Low Stock, Div, Yld PE, and High Low Last Chg. Lists various stock symbols and their prices.

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Table with columns for 12 Month High Low Stock, Div, Yld PE, and High Low Last Chg. Lists various stock symbols and their prices.

NYSE

Table includes the nationwide price up to the closing on Wall Street and does not reflect late trades elsewhere. Via The Associated Press

(Continued)

12 Month	High	Low	Open	Close	Vol	PE	Div	Yield %	High	Low	Open	Close
12 Month	High	Low	Open	Close	Vol	PE	Div	Yield %	High	Low	Open	Close
12 Month	High	Low	Open	Close	Vol	PE	Div	Yield %	High	Low	Open	Close
12 Month	High	Low	Open	Close	Vol	PE	Div	Yield %	High	Low	Open	Close

HELP: U.S. Seeking a More Efficient Way to Retrain Laid-Off Workers

Continued from Page 9

budget for existing efforts as the Economic Dislocation and Worker Adjustment Assistance program.

The cost, the proposal indicated, would roughly triple by 1996. The \$180 million Trade Adjustment Assistance Program, which reaches about 23,000 workers a year, is up to continue at least temporarily as an independent program.

Existing programs either provide a very limited number of services or limit the eligibility to workers who lost their jobs because of imports, military cuts or the Clean Air Act. The new

adjustment assistance program would fold most of these programs into one.

More important, it would be available to any workers with two or more likely, three years on the job. According to the proposal, about 2.2 million such workers are potentially eligible for job placement services and cash grants while they attend school.

People whose job involves helping dislocated workers get their lives back on track say that the proposed changes would help them reach more workers faster.

"Some streamlining would be very beneficial," said David Sidel, a state official in Al-

toona, Pennsylvania, who has been working with garment workers who lost their jobs when factories closed or moved. "All the programs have different eligibility criteria," he said. "We're dealing with having to apply for separate grants for one group of dislocated workers."

What's more, the new program would specifically avoid steering workers into the kind of short-term government sponsored training programs that the Labor Department's proposals calls "ineffective for permanently laid-off workers."

12 Month	High	Low	Open	Close	Vol	PE	Div	Yield %	High	Low	Open	Close
12 Month	High	Low	Open	Close	Vol	PE	Div	Yield %	High	Low	Open	Close
12 Month	High	Low	Open	Close	Vol	PE	Div	Yield %	High	Low	Open	Close
12 Month	High	Low	Open	Close	Vol	PE	Div	Yield %	High	Low	Open	Close

INTERNATIONAL FUNDS

Questions supplied by funds listed. Not all fund questions are supplied by the funds listed with the exception of those quoted below on issue prices.

The margin symbols indicate frequency of questions supplied: (d) - daily; (w) - weekly; (b) - bi-monthly; (m) - monthly; (q) - quarterly; (a) - twice weekly; (s) - semi-annually.

Fund Name	Assets	Div	Yield %	High	Low	Open	Close
ABC INVESTMENT & SERVICES CO (E.C.)	1,000,000						
ABC INVESTMENT & SERVICES CO (E.C.)	1,000,000						
ABC INVESTMENT & SERVICES CO (E.C.)	1,000,000						
ABC INVESTMENT & SERVICES CO (E.C.)	1,000,000						

Fund Name	Assets	Div	Yield %	High	Low	Open	Close
ABC INVESTMENT & SERVICES CO (E.C.)	1,000,000						
ABC INVESTMENT & SERVICES CO (E.C.)	1,000,000						
ABC INVESTMENT & SERVICES CO (E.C.)	1,000,000						
ABC INVESTMENT & SERVICES CO (E.C.)	1,000,000						

هكذا من الاصل

For information on how to list your fund, fax Simon OSBORN at (33-1) 46 37 21 33.

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JVC's Growth Is Stuck on 'Rewind' VCR Maker Finds Few Consumers Ready to Trade Up

Blomberg Business News TOKYO — The fancy videocassette recorders and color televisions that fueled the earnings growth of Victor Co. of Japan during much of the 1980s are proving a real drag on profit in these more austere times.

What really hurts is that the lucrative Japanese domestic market is in the doldrums. "Most of these companies rely on the domestic market, where the margins are three times as fat as they are on overseas markets," said David Benda, an industry analyst at Barclays de Zoete Wedd.

The main area of JVC's business is still very bad, Katsuhiko Sugiyama, an analyst at Lehman Brothers

ty association said this week that production so far this year was down a further 13 percent for televisions and 20 percent for VCRs. Meanwhile, overseas sales are being punished by the high yen. JVC depended on overseas markets for half of its sales last year.

has chosen to keep up the competition between the two companies to spur both on to developing new products.

The pace of JVC's recovery will depend on how deeply it cuts costs and how quickly it can expand into new markets.

JVC has a few bright spots in its inventory, mostly in areas that are relatively new to it. Sales this year will be cushioned by strong demand for its laser-disc karaoke machines.

One possible plus for the company in the middle of the decade will be a revival in demand for television sets and video players, especially as the Japanese economy improves.

Sooner or later, everyone's boxes will get old, and they will want to replace them," Mr. Benda said. "Then it will be time for JVC to be a star again."

Japan's Surplus Widened in July To \$11.8 Billion

Compiled by Our Staff From Dispatches

TOKYO — Japan's current-account surplus grew to \$11.82 billion in July, its 28th consecutive month of expansion, the Finance Ministry announced Friday.

The imbalance in the current account, which measures trade in goods and services and other capital flows, has been a major source of friction between Japan and its trading partners. In June, the gap was \$10.7 billion.

The trade surplus accounted for most of the July imbalance. It swelled 23 percent from a year earlier to \$13.69 billion, with exports rising 9.5 percent to \$31.44 billion and imports edging up just 1.1 percent to \$17.55 billion.

Ministry officials, however, said the yen's appreciation against the dollar in recent months had inflated the value of Japan's exports while deflating that of imports. Lower crude-oil prices also pulled down the import figures, they said.

The dollar's average value was 108.21 yen in July, down 14 percent from 125.57 yen a year earlier. Crude oil prices in the same period fell 11.8 percent to \$18.16 a barrel, the officials said.

Next week in Tokyo, Japan and the United States will hold their first round of talks aimed at reducing the surplus since a framework agreement on the issue was reached in July by President Bill Clinton and former Prime Minister Kiichi Miyazawa.

In another report, the Finance Ministry said Japan's net purchases of foreign stocks had grown to a three-year high of \$1.38 billion in July from \$1.24 billion in June.

Foreign investors, meanwhile, resumed buying Japanese stocks, as their net transactions swung to \$481 million in purchases from net sales of \$96 million in June.

Drop in GNP Forecast

The Hitachi Research Institute said it expected gross national product to contract 0.4 percent, after adjustment for inflation, in the year ending in March 1994.

The contraction in the economy would be the first since 1974-75, when inflation-adjusted GNP fell 0.2 percent, the research arm of Hitachi Ltd. said.

DDI Rises 47% On First Day

Blomberg Business News

TOKYO — Shares of DDI Corp., the long-distance telephone carrier that made its initial public offering Friday, ended at 5.41 million yen (\$51,183) on the Tokyo Stock Exchange, up 47 percent from the listing price of 3.7 million yen.

Optimism surrounding the listing helped push the Nikkei 225-stock average up 0.63 percent Friday. Traders and analysts predicted that DDI shares would remain at or near current levels next week.

The successful DDI listing will pave the way for other new listings, including JR East, to be listed on Oct. 26, and Japan Tobacco, scheduled to list in February.

"People who double their money on DDI today will gather a lot of excitement for JR," said Christian Howes, a salesman at Smith New Court.

Investor's Asia

Table with 4 columns: Market Name, Index Name, Index Value, Change. Lists markets like Hong Kong, Singapore, etc.

Very briefly:

- Thailand's Securities and Exchange Commission will allow finance companies and commercial banks, including foreign banks, to underwrite and deal debt instruments; until now, only securities companies have had the right to underwrite bonds.

Yamaichi to Pay Back 50,000 Investors

Compiled by Our Staff From Dispatches TOKYO — Yamaichi Securities Co., Japan's fourth-largest brokerage, will pay 10 billion yen (\$95.23 million) in compensation for misleading individual investors, the company announced Friday.

The money will cover losses on trading in U.S. mortgage-backed bonds in Yamaichi's "Mortgage Jumbo" fund, set up in 1991, said Ryuji Shirai, Yamaichi's senior managing director. The mortgage-backed securities use cash from home-mortgage repayments to pay interest and principal on bonds.

However, he said the matter did not constitute a violation of Japan's Securities Exchange Law, which says a securities company cannot knowingly publish misleading information to solicit business.

loss, the Nihon Keizai newspaper reported Friday. Yamaichi shares closed Tokyo trading down 19 yen at \$24.

EC-Japan Car Talks Drag On

Agence France-Press TOKYO — Talks between Japan and the European Community on further cutbacks in Japanese car exports to Europe went into overtime Friday, with an agreement unlikely until the weekend, officials said.

the European market was deteriorating more sharply than expected but failed to quantify the extent of the slump. The EC Commission is pressing for a cut in imports of Japanese cars and light vehicles of around 18 percent, nearly twice as much as a 9.4 reduction agreed in April.

Malaysia's Growth Surged To 10.4% Rate in Quarter

Compiled by Our Staff From Dispatches KUALA LUMPUR — Malaysia's economy powered its way to double-digit growth in the second quarter, its finance minister announced Friday, despite an earlier government forecast of a slowdown.

Malaysia's central bank, Bank Negara, had projected that the economy would slow to 7.6 percent growth this year from 8.0 percent in 1992 because of bottlenecks that have built up in the economy.

MURDOCH: South China Morning Post Sale Signals Shift Toward TV

Continued from Page 1 and 50 percent of British Sky Broadcasting Ltd. South China Morning Post (Holdings) owns a 13.5 percent stake in Thailand's Post Publishing, which owns one of two English-language dailies, the Bangkok Post.

According to stock-market rumors in Hong Kong, Malaysia and Singapore, the buyer of South China Morning Post (Holdings), which also publishes the Chinese language Wah Kiu Yat Po, is the Malaysian-based Kuok family, which has extensive business interests in southeast Asia and increasingly in China.

Mr. Kuok's family owns a 33 percent stake in Hong Kong's Television Broadcasting Ltd. That company, known as TVB, controls an extensive library of Chinese-language programs coveted by several electronic media groups including News Corp.'s recent \$525 million acquisition, STAR-TV, Asia's dominant satellite broadcaster.

Mr. Patten said, "will continue to show the same high standards of journalistic independence which are a crucial part of freedom of the press in a free society." "If that doesn't happen, then Hong Kong will be all the poorer," Mr. Patten added. "Hong Kong and what Hong Kong stands for are a vision of the future, not a blast from the past, and that very much includes freedom of the press."

Large table with multiple columns for stock market data under the AMEX logo. Includes columns for 12 Month High/Low, Div, Yld, P/E, etc.

THE REPORT

FIRST COLUMN Investment Strategy East And West

Daredevil Derivatives Looking More Angelic

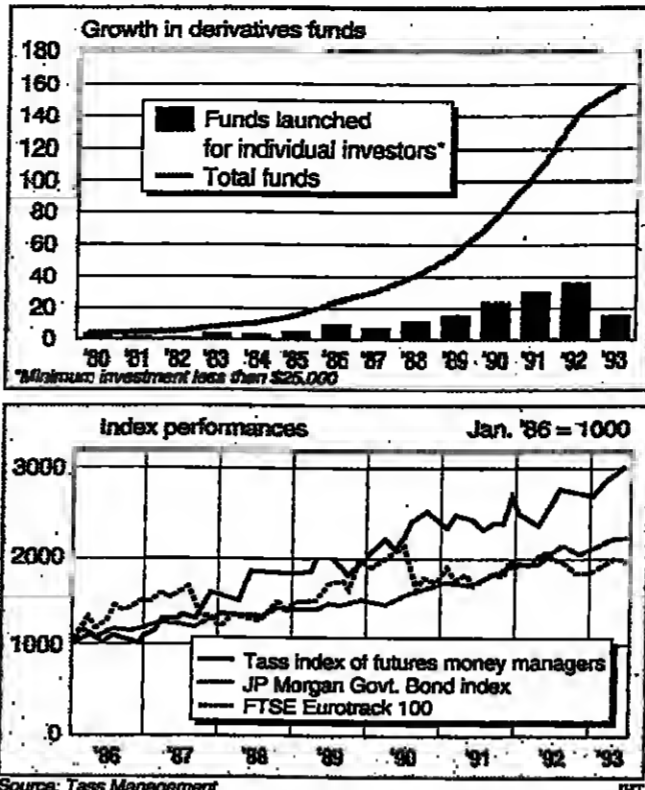
By Philip Crawford

TOP down or bottom up? It's one of those difficult investment questions where the answers raise more contentious issues than they settle. But the fact that it is being widely asked among international investors and in brokers' circles tells us two things. First, it confirms that an already well-established investment pattern will continue into the middle years of this decade. Second, it illustrates the widely differing notions of what investing should be about. Specifically, there is a disagreement between the East and the West among investing notions as to which approach is preferable.

THE great news from global equity markets keeps pouring in. This week witnessed a three-year high for the DAX in Frankfurt, a new record for the Nasdaq composite in New York, and a breakthrough in Tokyo, Paris, Madrid, and Amsterdam continue to set new records. Great news, indeed. But what if it's too great, and the markets are fully valued—maybe even due for sharp declines? Where should investors fearing such big falls turn? The answer may lie with derivatives funds, which, analysts report, are increasingly popular among individual investors. Those bullish on derivative funds say investors are beginning to understand that these vehicles are not necessarily the highly speculative, casino-like plays they've long been reputed as, but can be excellent alternatives to equity and bond market investments.

Some funds focus on options, with which a trader purchases the right to buy (a call option) or sell (a put option) a stock, bond, commodity or currency at a certain price within a given time period. Since only the right, not the obligation, to make the deal is being purchased, potential loss is limited to the cost of the option, but options based on widely expected market movements are expensive. If the underlying security performs as the trader hopes it will over the defined time period, he will typically sell the option back into the market at a profit rather than actually exercising it.

Leverage for All?



trading. Before you take a position, you define how much you are willing to lose, and if you reach that point, you get out. Mr. St. Aldwyn said that another key to a successful derivatives fund is investing in instruments that have a reasonable degree of liquidity, enabling a trader to get out of an unwanted position within a relatively short period of time. "Needless to say, liquidity is also important to investors," he said. "In derivatives, monthly liquidity is usually satisfactory to them."

Then, there are performance rewards to traders, whose main source of personal income is, often, a percentage of the return he or she achieves on assets invested. A typical trader performance award is 25 percent of return. Guaranteed funds, in which investors are assured of receiving at least their minimum investment when the fund closes, are even harder to profit from, since a good chunk of the fund's assets has to be kept totally free of risk in order to make good on the guarantee.

THE CENTRAL SOURCE ON FUND INVESTMENT

Advertisement for I.F.I. International Fund Investment. Features a cover image of 'The Burden of Trust' and lists various articles and authors.

I.F.I. is the one and only publication devoted to providing unbiased coverage of this fast developing sector of the financial world. Reactions to I.F.I. have been highly enthusiastic, demonstrating that the magazine is badly needed by the asset management industry.

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Financial Thinking Beyond the Jargon

your primary objective, are you looking for income or capital gain? And coming from that we would ask about their risk exposure," said Mr. Ross. If someone said they wanted to invest for five years, but be conservative, Fidelity would put them into an income fund or a growth fund with low volatility, like a blue chip fund. If they wanted to be less conservative, they would be invested in a more aggressive equity fund.

BRIEFCASE

AIDS Cost to U.S. Insurers Put at \$6.3 Billion Since '86. The AIDS epidemic continues to take its toll on U.S. life and health care insurers. According to a recent survey conducted jointly by the American Council of Life Insurance and the Health Insurance Association of America, insurers paid out approximately \$1.4 billion in claims directly relating to AIDS in 1992, more than four times the amount paid out in 1986, when statistics were first compiled.

Handwritten Arabic text at the bottom of the page.

THE MONEY REPORT

Stock Analysts Go Global With Companies

By Karina Robinson

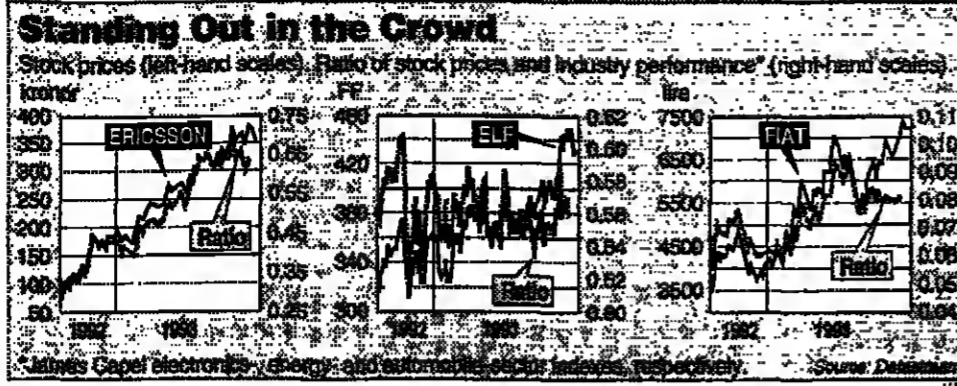
FEW international commentators would argue with the proposition that investment flows are becoming more global, as investors expand their knowledge and exposure to foreign companies and markets.

But the criteria on which they base their investment decisions are subject to controversy. Simply put, should you value the company by comparing it with its international peers, or by taking a view on the prospects for its home stock market?

Conventional wisdom has it that investors are moving more and more toward sector analysis. A straw poll of brokerage and fund management houses confirms a long-term trend, but the crux of the matter is whether this actually makes more money for investors.

William Cowan, Italian analyst at James Capel in London, said: "Sector analysts can miss the boat by failing to see the change of sentiment in a local market. Take troubled car company Fiat as an example. Its share price has almost doubled in the last six months due to rumors about alliances and asset disposals."

This is despite a less-than-favorable outlook for the company, which would be posting losses this



year were it not for extraordinary gains from sales of non-core businesses. But as a car company it is betting its future on a range of new models to be unveiled later this month, in an unfavorable market with falling European car sales. Sector analysts in general find themselves unable to recommend such a company because they rely on fundamentals such as earnings growth.

But a country analyst could have seen that at the end of last year Italian mutual funds were underweight in the stock and were bound to buy, while speculation about an alliance Renault was set to push the stock upward.

Ed Fishwick, a director at investment management consultants

Quantec, argues that many investors have found market timing—predicting equity market movements—very difficult. He suggests it might be easier to forecast global industry returns, and his company's global risk portfolio is based on industries rather than countries.

The argument that certain industry groupings are more prone to convergence is true in the main. The obvious ones are oils, pharmaceuticals and chemicals. When U.S. oil stocks rose earlier this year, French ones followed. Rises and falls in the price of oil affect all the companies, wherever they are based.

But the issue is more complex than it appears, because even in these sectors local investor behavior differs significantly, which in turn leads to divergence in stock prices, despite the fundamentals being possibly very similar. For example, chemical companies in Germany have high dividend yields, so if German bond yields decline, they tend to be looked at more favorably. But in the United States, chemical companies are perceived as cyclical stocks, so yields are not an important factor in an investment decision.

Yet the move toward more sector analysis continues, especially in Europe. "In the last few years, sector influence has been increasing in Europe," said Scott Jaffray, head of European equities at Norwich Union. "The exchange-rate mechanism might have had a lot to do with this as it forced countries' economic policy to share common ground. The breakdown in the monetary system probably means we will find a reversal of the trend."

Another inconvenience in classifying investments by sector is that companies are becoming ever more complicated in what they do. On the one hand, they are becoming increasingly multinational, and their earnings originate in different countries, the local economy, which in turn affects the local stock market, declines in importance.

Dan Ric, director of equity investments at Boston's Colonial Investment Management, sees this as

part of the reason sector analysis is becoming more important. "You cannot be a country-based analyst and see the whole picture," he said. "Product markets are becoming more integrated internationally. If you analyze a company, you need to know about its competitors, which is likely to be abroad, so it becomes a cross-border issue."

This argument favors sector analysis, but it is complicated by companies often being exposed to more than one industry.

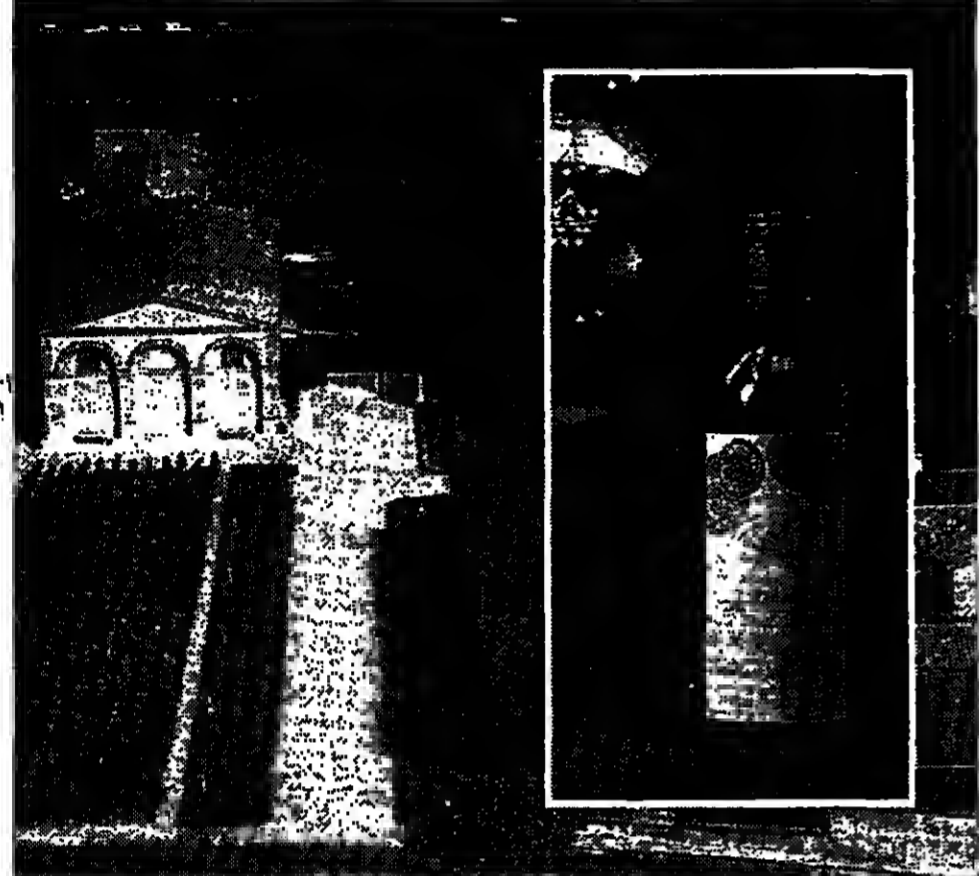
Quantec's Mr. Fishwick says the solution is to use multiple industry classifications for such companies. His company believes that the conventional wisdom that markets dominate a stock's performance is wrong, and that global sectors are just as important. "But another central conclusion we have come to is that it all depends on what you want to find," he said. "Take Fiat, where if the price of oil rises, the market rises, as Royal Dutch Shell is such an important part of it. But you could call it a global energy effect because all stocks around the world are also rising."

Goldman Sachs' European equity strategist Sushil Wadhwani researched the convergence of European stock markets to see if country analysis would become superfluous. He found that European stock markets were undoubtedly becoming more correlated, but that this was a worldwide phenomenon and not the result of the move toward a single market. He concluded that country analysis was indispensable, as "the country factor easily dominates the industry factor in explaining an individual company's stock market performance."

As a result, Goldman Sachs has both country and sector analysts who work together. But in many other houses, country analysts are on the wings and those that remain are often also sector analysts. Brokerage houses insist the pressure toward sector analysis has come from investment managers, especially those in the United States, who are used to comparing companies in such a large economy,

August Market Scoreboard

Best Performers	Worst Performers
<ul style="list-style-type: none"> U.K. FTSE 100: +0.8% EURO STOXX 50: +1.2% DAX: +0.5% IBEX 35: +0.7% HONG KONG: +1.5% NASDAQ: +0.3% NIKKEI 225: -0.2% DOW JONES: +0.1% NYSE COMPOSITE: +0.4% TSX 300: +0.6% 	<ul style="list-style-type: none"> NYSE COMPOSITE: -0.1% DOW JONES: -0.3% NASDAQ: -0.2% IBEX 35: -0.4% DAX: -0.5% EURO STOXX 50: -0.6% TSX 300: -0.7% NIKKEI 225: -0.8% HONG KONG: -0.9% U.K. FTSE 100: -1.0%



Chateau Mouton-Rothschild and a bottle in the chateau's wine cellar.

Wine Market Starts to Bubble Again

By Aline Sullivan

AFTER a tough year, international wine brokers and auctioneers are detecting renewed enthusiasm among wine drinkers for the great Bordeaux vintages of the 1980s.

Last summer, the auction house Christie's was selling Chateau Mouton-Rothschild 1982 for £720 (\$1,080) a case. A year later, the price has climbed to £1,200. Paul Bowker, a wine expert at Christie's, argues that there is still some upside to the market, particularly for the 1985 and 1986 vintages, which have not yet realized their potential. "It's a good time to buy," he said.

London has long been a major center of the wine trade and its broker, wine merchants and auctioneers offer good guidance on the direction of the global market for particular vintages. When the managing director of Chateau Mouton-Rothschild was asked in 1975 why he had chosen Christie's for a major sale, he replied: "We have chosen London and not the Salle Drouot [the leading Paris auction house] in order to profit from the international clientele."

Today, the international connections of the London wine market are attracting both American and Japanese investors, who are well placed

sional buyers will always have an advantage because they are likely to know more about the supply of a particular chateau in a particular year. But the third major consideration, demand, is much less certain.

"The U.S. market is coming back," said Edward Demery, sales director at London wine merchants Justerini & Brokers. "Once the Japanese market is back on the rails, and there are signs that is happening, there should be some noticeable price rises."

Mr. Bowker agrees that there is more confidence in the market now. "Suddenly, there has been a shortage of wine coming to the

investing in wine presents some daunting problems for the novice. Perhaps the biggest is storage. Fine wines need to age at least 10 years and poor storage in the meanwhile is likely to turn an investment to vinegar. Few dealers will consider purchasing wine that has been stored by amateur collectors. Most serious investors, therefore, store their wine with professional storage companies.

Another problem at present is the inferior standard of the 1991 and 1992 vintages. This means that the option of buying wine as a *premier*, or before it has been bottled, is far less attractive than it was through most of the 1980s, when there was a succession of remarkably good vintages.

Wine bought on primeur usually offers the best potential returns for investors because it is notoriously hard to predict how well a wine will age. The gap between the seasoned connoisseur and the first-time buyer is narrowed. Although there have been no disasters so far in the 1993 season, professionals say it is still too early to make any predictions about the quality of the vintage.

The good news for investors now is that a succession of extraordinary Bordeaux vintages in the 1980s and the subsequent economic recession has meant that many top bottled wines look cheap.

The younger vintages are less pricey because there were so many outstanding years in the 1980s," said Mr. Bowker. "Investors can buy at auction wines from 1988 and 1989 at the same prices or less than the en primeur prices two or three years ago."

Many wine professionals say that investors need to move quickly before values increase further. "By September, there will be a lot more buyers than sellers and these prices will start to rise," said Stephen Brewster, a wine broker at Farr Vintners in London. "It is still a good time but people shouldn't hang around."

to buy wines from London merchants on account of the strength of the dollar and the yen relative to sterling. The strength of the French franc has no impact on the current market because these wines were purchased several years ago.

"Changes in the exchange rates have completely revitalized the export market," said Mr. Bowker. "The majority of our wine comes from the British sellers so American buying, for example, a case for £1,000 are getting much better value now."

Many investors in the 1980s made the mistake of choosing second-rate wines, which have since declined in value. Only the top wines are worthwhile, professionals say. Most of these are red Bordeaux but some of the sautes, especially Chateau d'Yquem, are always in demand. Investors should also confine their buying to French vintages because they are the benchmark by which others are measured. "There are great wines around the world but they are not great investments," said Mr. Brewster.

Currency fluctuations are one aspect of investing in wine. Supply is another and one in which profes-

market because the people who needed to sell had already sold," he said. "People are no longer talking about recession. At the same time, demand is rising."

Investors anxious to buy at the very bottom of the market should consider investing in vintage port. Merchants and auctioneers say increased concern about driving after drinking and worries about healthy living have hurt port sales. Also, a shift in British dining habits to serving British before dessert rather than after has meant that people no longer know when to drink port.

"It is an extremely good time to buy port," said Mr. Bowker. "The 1983 and 1985 vintages are selling at £10 to £12 a bottle, less than they were sold for originally."

No Falloff in the Great Latin American Sell-Off

SAY the word "privatization," and the immediate association of many investors in Eastern Europe, where the sell-off of state-owned companies has poured the foundation for fledgling free market economies. Other investors, amid today's Euro-dominated headlines, might think of France, where their earnings originate in different countries, the local economy, which in turn affects the local stock market, declines in importance.

Dan Ric, director of equity investments at Boston's Colonial Investment Management, sees this as

and we feel that they will continue to do so."

Ms. Skudiers said she also had positive recommendations on Argentina's two privatized telephone companies, Telefonos de Argentina, sold off in December 1991 and available on the London International Exchange, and Telecom de Argentina, privatized in March 1992 and available through ADRs in London and New York. "The Telefonos privatization went smoothly," she said, "and we still have a short-term 'buy' on its shares. Telecom came to the market at a ridiculously high price, fell off immediately, and is still being held. We see it as a 'buy' in the long term."

The biggest Latin American privatization this year, indeed the largest initial public offering globally, was the June sell-off of the Argentine state oil company Yacimientos Petroliferos Fiscales, or YPF. The public was offered 45 percent of the company, with U.S. investors scooping up about 25 percent of the 33 billion offering. While many of the shares were sold at a slight loss, immediately for a quick trading profit, many analysts remain bullish on the stock, which is available through ADRs on the New York Stock Exchange.

"Given the falloff in the Argentine market during the summer of 1992, we felt that it was perhaps too soon to bring YPF to the market," said Ondine Smulders, who follows Argentina for Paribas Capital Markets in New York. "But in retrospect, it has worked out very well. The shares have performed well,

but the company posted a pretty decent second quarter and my rating is based partially on that."

The last two years have also witnessed the sell-off by the Mexican government of 18 banks that had been under government control since 1982. The sales, largely to Mexican securities firms, have reaped billions for government coffers. Banamex, the largest bank, was sold to the country's largest brokerage, Acival, but shares in the new company, Banacom, are not listed, said Mr. Garcia. The second-largest privatized bank, Bancomer S.A., is a strong company, but warrants only a "hold" rating due to its price, Mr. Garcia said. Bancomer shares are not yet available through ADRs.

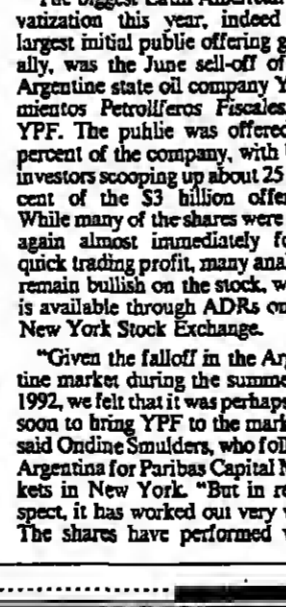
"We're quite bullish on Mexico in general," Mr. Garcia added. "The country has transformed itself. In 1987, inflation was about 157 percent, and this year it will be in the single digits. The government is committed to a policy of economic growth. We also feel that these trends are irreversible, that Mexico will continue to be prosperous whether NAFTA goes through or not. And one reason is that the privatizations have attracted a large number of local investors, which is essential for continued growth."

The North American Free Trade Agreement, or NAFTA, aimed at eliminating trade barriers between Canada, Mexico, and the United States, will be voted on by the U.S. Congress this fall.

Privatization has also been in the wind in Chile, where Compania de Telefonos de Chile led the way several years ago. Listed on the New York Stock Exchange since 1990, CTC represents another success story whose shares remain positively viewed by many analysts.

"The CTC privatization has worked out very well, and we're

Doing Well on Their Own



still buyers of the shares," said Joyce Suarez, who covers the Latin American market for Nomura Research Institute in New York.

ALFREDO Viegas, who follows the Chilean and Brazilian markets for Salomon Brothers, concedes that CTC is a 'buy.' "Chile obviously has fewer companies to privatize than do some other Latin American countries," he said. "And Chile has also not been very friendly to foreign investors in the past. But that is changing."

Mr. Viegas added that Salomon has "buy" ratings on two other Chilean companies, Maderas y Sinteticos S.A., which manufactures wood products for the construction sector, and Maderco S.A., which makes copper and aluminum products. Both are available through ADRs in New York.

Brazil's flagship privatization took place in October 1991, when the huge steel firm Usiminas S.A. was auctioned off for \$1.17 billion to a group of Brazilian companies, with minority interests being acquired by Nippon Steel Co. and other Japanese firms. In early August, Usiminas reported first-half net profits of \$135 million, up 125 percent from \$60 million a year ago. While none of the privatizations in Brazil have yet resulted in the availability of ADRs on foreign markets, analysts look for that to change.

"When the Collor government crashed, the privatization program stalled, and it is still somewhat in that state of affairs," said Mr. Viegas, referring to the resignation of President Fernando Collor de Mello in late 1992 in the wake of a corruption scandal. "But we're now at the point where about 65 percent of the [Brazilian] Congress favors privatization. The current constitution will be rewritten in October

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SPORTS BASEBALL

Braves Come Back to Beat Giants, and Yankees Gain on Blue Jays

In 'Biggest Game of Year,' Atlanta Cuts Deficit to 3 1/2

By William Gildea
Washington Post Service

ATLANTA — The Atlanta Braves still intend to make a division race of it with the San Francisco Giants.

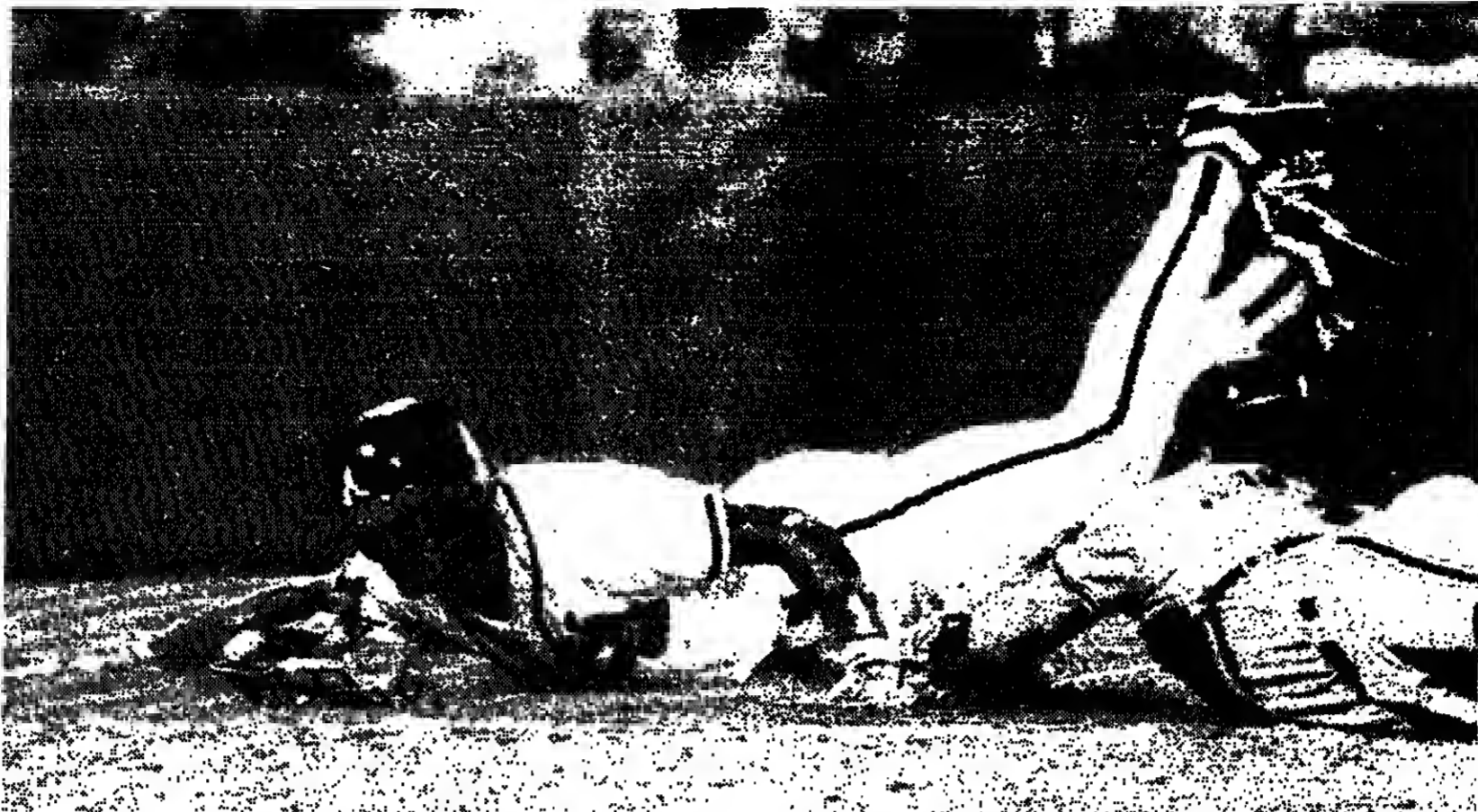
Trailing in Thursday night 3-0 after losing to San Francisco the night before, the Braves rallied with two runs in the fourth inning and three in the seventh to beat the Giants, 5-3.

The hard-earned victory — Atlanta scratched out all its runs on seven singles and a double — gave the Braves the series, two games to none, and lifted them within 3 1/2

you've accomplished something," Howell said. "It's a plus to get Burkett out of there because he's a winner."

Burkett left leading 3-2, but his bullpen couldn't hold the lead on a night it managed to keep the Braves' power to a minimum. The victory went to Mark Wohlers, the hard-luck loser Wednesday, when John Patterson homered in the ninth in his first at-bat of the season.

Steve Avery, the Braves' starter, suffered a reversal of fortune at an inopportune time, although it didn't matter. Avery had been 3-0 in three appearances this season against the Giants and had won six of his last seven decisions. But he lasted only 3 1/2 innings Thursday, giving up six hits and three runs, including a solo homer by Barry Bonds, his 40th.



Otis Nixon beat the Giants' catcher, Kirt Manwaring, by just enough, sliding into home plate with the Braves' go-ahead — and winning — run in the seventh in Atlanta.

The Giants got a run in the second on a double by Matt Williams, an infield out and sacrifice fly by Royce Clayton. After Bonds' towering fly dropped over the right-field fence in the fourth, the Giants added a run on three singles, the last by Burkett, a 127 hitter. That finished Avery.

"With a month left, it would have been nearly impossible if we had lost," said Avery. "Now we need some help from our friends and our enemies."

The Braves countered with two runs in the bottom of the fourth, peppering Burkett with four singles. Damon Berryhill and Mark Lemke drove in the runs.

Patterson and Wohlers met up again but this time Wohlers induced Patterson, batting for Burkett, leading off the seventh, to foul out.

In the bottom of the seventh the

Braves made a move as if the pennant might be at stake. With the crowd on its feet chanting and chipping, the Braves staged their game-winning rally. They tied the game at 3 off reliever Jeff Brantley. Pinch-hitter Tony Tarasco doubled with one out. Otis Nixon followed with a high bouncer over first baseman Todd Benzing's head to produce the run.

After Jeff Blaser walked, the Giants manager, Dusty Baker, abandoned Brantley for Dave

Burba. He wasn't the answer. Nixon promptly took third for his 34th steal of the season.

Then Ron Gant hit a line drive off Burba's backside. As Burba looked skyward for a ball that fell to the infield grass, Nixon slid home with the go-ahead run.

"I had to wait to see if the catcher was going to go for the ball," Nixon said. "It was a tough decision, but when he went to pick it up, I went for it."

"It still hurts," said Burba. "It hit me right on the rear end."

Baker then called on lefty Kevin Rogers to face left-handed-hitting Fred McGriff. No luck. McGriff singled sharply past Rogers's ear, scoring Blaser. That was the extent of the damage, but it was enough.

In other games, The Associated Press reported:

Dodgers 8, Pirates 0: Pedro Astacio shut out the Pirates on three

hits for eight innings, and Los Angeles won in Pittsburgh.

Astacio struck out eight and walked one. In two starts against the Pirates, he has pitched 15 scoreless innings and allowed just eight hits. Astacio helped himself with two hits and a sacrifice.

Marlins 8, Padres 2: Chuck Carr got four hits and stole three bases, leading Florida over visiting San Diego.

Carr's 43 steals are the most in the NL. Rookie Pat Rapp gave up

seven hits in his first career complete game.

Mets 8, Cubs 3: Todd Hundley hit his first grand slam and drove in a career-high five runs as New York won in Chicago.

Hundley's 10th homer of the season and first slam in 831 at-bats came in the third inning off Jose Guzman. He added an RBI single in the ninth.

Rookie Bobby Jones allowed six hits in 7 1/3 innings.

New York Gets a Lift From Owen

The Associated Press

Jimmy Key has come through all season when New York has needed a big game from their free-agent left-hander. Spike Owen, another expensive offseason signing, hasn't had as many chances to help the Yankees.

They both came up big Thursday night as the Yankees beat the Chicago White Sox, 7-1, in New York to snap out of a brief tailspin that saw them drop the farthest out of first place since early August.

Key allowed three hits in eight

AL ROUNDUP

innings and Owen, who wasn't even in the lineup until game time, had a two-run double in a big fourth inning.

"I thought it was an important game," Key said. "I didn't think it was crucial. There's a difference. We just need to win games. We lost two games at home and we had to get this thing going again."

The Yankees, who had lost four of five, including the first two of the Chicago series, now are two games behind Toronto in the AL East. New York opens a three-game series at home with Cleveland Friday night, while the Blue Jays, who were off Thursday, open a three-game series at California.

"I think it was a big game for us as a team," said Don Mattingly, the Yankees' captain, who was ejected in the seventh inning. "You've got to stop streaking early. It sets a positive tone for us going into the Cleveland series."

Owen's name made the lineup card when second baseman Pat Kelly was scratched just before the game began with a slightly sprained hamstring. He entered the game with a .238 average and only 18 RBIs in 95 games.

But in the fourth, with two runs already in and the bases loaded, Owen greeted reliever Chuck Cary with a double to right-center.

Indians 4, Twins 3: Wayne Kirby had three hits and two RBIs and Carlos Baerga drove in his 100th run of the season as Cleveland won in Minneapolis. Kenny Lofton and Kirby started the eighth with doubles to snap a 2-2 tie and Baerga followed with a run-scoring single off Kevin Tapan.

Mariners 8, Brewers 1: In Seattle, Chris Bosio beat Milwaukee, his former team, for the first time, allowing five hits over seven innings. Bret Boone and Greg Linton hit two-run homers and Jay Buhner added two doubles and two RBIs as Seattle climbed above .500 for the first time since July 15.

Orioles 4, Angels 3: Mike Devereaux snapped a 2-for-40 slump with a two-run homer in the first as Baltimore won its fourth straight on the road. The Orioles added two runs in the third on an error by California's Eduardo Perez and an RBI single by Chris Foyles. Tim Lincecum had three hits and drove in all of California's runs. He became the 19th rookie in major league history to hit 30 homers as his two-run shot in the sixth made it 4-3.

When Bears Take On Giants, Which New Coach Will Learn Quicker?

New York Times Service

GIANTS (6-10) AT BEARS (5-11): KEY STAT: Giants' Phil Simms is 84-59 as a starter; Bears in last 10 seasons are 29-10 in September games.

COMMENT: Two new head coaches with new staffs match wits. For the Giants' Dan Reeves and the Bears' Dave Wannstedt, the question is which team will exhibit a quicker grasp of their new schemes and will be able to implement them? Odds-makers favor the Bears by 1.

BRONCOS (8-8) AT JETS (4-12): KEY STAT: Broncos are 20-12-1 on opening day, best in the AFC; Jets in 1992 tied for third in takeaways but finished 24th in giveaways.

COMMENT: Broncos' coach Wade Phillips makes his debut and the Jets' Bruce Coslet coaches in his 49th game for New York. He has lost 30 of them. Coslet wants a good start, especially with the bushel of free agent acquisitions the Jets made. Jets by 1.

BENGALS (6-11) AT BROWNS (7-9): KEY STAT: Bengals in '92 ranked 26th in passing offense and 28th in third-down conversions allowed (45.8 percent); Browns were 20th in scoring.

COMMENT: Cincinnati last season won at Seattle and then beat the Raiders in overtime for a quick start before fading miserably, suffering through two five-game losing streaks and finishing 5-11. Dave Shula is 34 and the youngest head coach in the league. His team is young, too. That likely will result in mistakes. Browns by 8.

DOLPHINS (11-5) AT COLTS (9-7): KEY STAT: Dolphins' Dan Marino is 15-5 vs. Indianapolis with 34 touchdown passes and 10 interceptions; Colts' Ted Marchibroda for the second time in his career led franchise to an eight-game winning improvement from previous season.

COMMENT: Indianapolis last season won at Miami by 31-20 and then Miami turned the tables, winning at the Colts by 28-0. Jack Trudeau gets the start at quarterback for the Colts and he is fluid, mobile and capable. Miami has four new principal players at offensive skill positions: backs Terry Kirby and Keith Byars and receivers Irving Fryar and Mark Ingram. Dolphins by 6 1/2.

PATRIOTS (2-14) AT BILLS (11-5): KEY STAT: Patriots have not won in Buffalo since 1987; Bills have won five straight openers.

COMMENT: Here come the Bills shooting for a fourth straight AFC crown and fourth straight trip to the Super Bowl. Buffalo will enjoy solid support to Rich Stadium, where it has led the league in attendance for six consecutive seasons. Bill Parcells says hello again to the NFL and quarterback Drew Bledsoe makes his debut. Bills by 14.

FALCONS (6-10) AT LIONS (6-11): KEY STAT: Falcons' Chris Miller is only NFL quarterback to pass for 15 or more touchdowns in each of last four seasons; Lions' Barry Sanders has NFL-best 5,674 rushing yards in last four seasons.

COMMENT: The Falcons can look at the Lions secondary and see the end zone not far behind. Detroit looks shaky back there and covering An-

dre Rison, Michael Haynes & Co. won't be easy. The problem for the Falcons has been their defense. Detroit has won four straight over Atlanta. Lions by 6.

RAMS (6-10) AT PACKERS (9-7): KEY STAT: Rams last season improved from 27th to 15th in rushing offense; Packers' Reggie White is the only player in NFL history with more sacks (124) than games played (121).

COMMENT: Green Bay got the top free-agent prize in Reggie White and displays its purchase vs. NFL MATCHUPS

The Rams, White was ordinary in the preseason but figures to create havoc in this opener. The Rams are too thin on defense. Packers by 7.

CARDINALS (4-12) AT EAGLES (11-5): KEY STAT: Cardinals in '92 were 1-7 in road games; Eagles were 8-0 at home, second in sacks made but 26th in sacks allowed.

COMMENT: The visiting team in this series has won five of the last six meetings but Philadelphia beat Phoenix twice last season. Phoenix is still meshing its cluster of new stars and the Eagles are still reeling over the loss of Reggie White. Eagles by 7.

CHIEFS (10-6) AT BUCCANEERS (6-11): KEY STAT: Chiefs' led league last season with plus 18 turnover differential; Buccaneers were 28th in pass defense.

COMMENT: Steve DeBerg or Craig Erickson will start at quarterback for Tampa Bay, but neither will receive the attention of Joe Montana, who makes his first Chiefs and AFC start. The Chiefs have a new, star-studded quarterback, a new, quick-paced offense and a rugged defense led by linebacker Derrick Thomas. Chiefs by 7.

49ERS (14-2) AT STEELERS (11-5): KEY STAT: 49ers are only NFL team with 10 or more wins in each of last 10 seasons; Steelers in '92 won first divisional crown since 1984.

COMMENT: Two franchises with four Super Bowl trophies tangle in what will be a physical game. Pittsburgh will make sure of it. Steve Young's injured thumb won't keep him out of action. 49ers by 6 1/2.

SEAHAWKS (2-14) AT CHARGERS (11-5): KEY STAT: Seahawks play first of nine games on the road. Chargers tied for second in rushing defense last season.

COMMENT: "The kid has done everything we've asked and some things we haven't," Seattle coach Tom Flores says of rookie quarterback Rick Mirer. San Diego is not the place to be for a young quarterback seeking his place in the NFL. Chargers by 12.

VIKINGS (11-5) AT RAIDERS (7-9): KEY STAT: Vikings tight end Steve Jordan, a six-time pro bowler, is team's all-time receptions leader with 439; Raiders are 53-28-1 vs. NFC.

COMMENT: Jim McMahon makes his first Vikings start and his last pro start was last November vs. the Raiders when Philadelphia won and McMahon passed for 157 yards with one touchdown and one interception. Vikings by 3 1/2.

OILERS (10-6) AT SAINTS (12-4): KEY STAT: Oilers led the league in pass offense, averaging 251.8 yards per game; Saints led the league in pass defense, allowing 154.4 yards per game.

COMMENT: Under new defensive coordinator Buddy Ryan, the Oilers meet an attacking defense that swarms to the ball. Problem for New Orleans may be that many of the same old offensive problems remain. Saints by 3.

COWBOYS (13-3) AT REDSKINS (9-7): KEY STAT: Cowboys open vs. Washington for fifth time with four straight wins in fact; Redskins since 1970 NFL merger have NFC-best 221-122-1 record (.644).

COMMENT: Dallas won at home over Washington by 23-10 in last season's Monday night opener and never looked back, rising to a 13-3 record and the Super Bowl title. Richie Postupalski is in his first season as Washington head coach and is still implementing his system. Fortunately for Washington, Emmitt Smith likely will not play. Redskins by 1 1/2.

These matchups were written by Thomas George of The New York Times. Odds were provided by Harrah's.

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SPORTS U.S. OPEN

Becker Plods On, Edberg Bows Out

By George Vecsey
New York Times Staff

NEW YORK — They really stuck it to Boris here at the Open. It was grubby and shortaged to dole out the first-round matches over three days and nights, to justify the separate-admission night matches.

This grudgingness forced Becker to wait until Wednesday night for his first scheduled match. Naturally, the gloomy crown prince was rained out. It was inevitable. He could see it coming and so could everybody else.

Becker was then facing seven matches in 11 days, enough to make a man think of leaving on the midnight plane to Frankfurt.

Then for some strange reason, they stuck Becker and Andrei Cherkasov in the third match Thursday afternoon. Not the first match. Not the second match. The third. With the weather rolling in from the west, murky dark clouds and thick humidity.

Becker and Cherkasov finally got on the court at 3:17 P.M., and Cherkasov was up by two sets to one when the drizzle arrived, delaying the Becker's match even more.

Then the Open officials pulled a swifty, calling off the day activities at 7:08 P.M. and informing the day customers to get the heck out of there, in a bit more polite language: "Today's day session is now concluded." And the match resumed for the night people, who saw Becker salvage the match with a score of 3-6, 6-7 (8-10), 7-5, 6-4, 6-4. "Thank God I am still in the tournament," he commented.

Weather is part of the plot in outdoor tennis, and nobody would have it any differently. But to make a fourth-seeded player like Becker face such an uphill battle is not fair.

It is understandable that tournament officials would like to space out the favorites, but six sessions is ridiculous. There are not that many stars, and they are disappearing fast.

While Becker suffered through his prolonged first-round match, six-seeded player had already headed for the exit gates, five of them in the first round. And when they leave Flushing Meadows, they leave fast. And they don't look back.

Stefan Edberg left Wednesday, but he left graciously. He always leaves graciously. The new baby is back in London. No midnight diaper changes for Stefan Edberg. No crying at 3:00 A.M. No excuses. There are never any excuses for Stefan Edberg.

When he loses in the Wimbledon final or the second round of the Open, as the two-time defending champion did to Karel Novacek Thursday, 7-6 (7-3), 6-4, 6-6, 6-4, it is always the same: "I had my chances." He always thinks he will come back, and when he does not, he is always mildly perplexed.

EDBERG MADE IT into the second round, which isn't all that impressive for the man who won the last two times here, conquering the multiple beasts of heat and humidity and noise and smells and gridlock, human and vehicular. He won it twice, and now he is gone.

Has anything changed? His wife, Annette, gave birth to Emily Edberg on July 14, perfectly timed between his Wimbledon semifinal and his departure for the Open. He was characteristically gracious at the Open. Did the hard-baked courts make it easier for him to be blown off? No, not really. He had his chances.

It would do no good to search for reasons why Edberg became only the third defending champion to lose by the second round since the old Nationals became the professional Open in 1968. Mats Wilander went down to Pete Sampras in 1989 and the Nastase went down to Andrei Panatta in 1973.

The weather? No problem. "I mean, it was great tennis conditions today," Edberg said. "It wasn't too hot and not too much wind. It was just a bit heavy today."

But that's not an excuse, and Edberg knew the weather had been much worse in the first round. Fifth-seeded Sergi Bruguera, well, you could see him checking out the evening flings to Spain once he was set and a break down in the blazing sun. Ivan Lendl felt a twinge and you could see him figuring, this is out.

Andre Agassi? He got befuddled in his first-round match, and a befuddled Andre doesn't have a chance. They are going down all over the place, these seeded players, and now there are Courier and Sampras, the big guns of the Wimbledon final.

The raquets are so powerful these days that a clay player like Bruguera doesn't deserve to be seeded fifth. Everybody can hit. You can't have a bad day. You can't afford to have your timing be off, the way it was for Edberg on Thursday. Those things are inevitable. But making a Boris Becker hang around for his first match is avoidable. Just don't try to squeeze six admissions out of the first round.



Jim Courier, the top seed, smashed past No. 315 Michael Joyce on Friday and into the third round.

Tapie to Quit if UEFA Bans Club

Compiled by Our Staff From Dispatches

PARIS — Bernard Tapie has threatened to resign as president of Olympique Marseille if the soccer club is not allowed to defend its European Champions' Cup title because of alleged match-fixing.

"If you ban Marseille from Europe, you kill the club," Tapie said in an interview published Friday in the French daily Liberation. "In that case, I'm out. I don't have the staff and money to live without the European Cup."

"It would be better to punish Marseille next season, if misconduct is proved, rather than burying us now and finding out that we were innocent," he said.

The executive committee of UEFA, European soccer's governing body, is to meet in Zurich on Monday to decide whether the French champions can defend the cup this season.

UEFA is awaiting a report from a hearing to be conducted Saturday by the French league's disciplinary committee.

A Marseille player, Jean-Jacques Eydedie, and the club's former manager, Jean-Pierre Bernes, allegedly attempted to fix a league match against Valenciennes on May 20. Eydedie said that he did so, but Bernes has denied the charge.

Marseille won the match, 1-0. A week later, the club beat AC Milan to capture the Champions' Cup. Marseille also won the French championship for the fifth straight year.

On Friday, the French league's president, Noel Le Graet, said that a Sept. 23 deadline set by soccer's world governing body to make a decision in the case would be met. He said the league wanted to issue a comprehensive judgment in the case, penalizing guilty players and executives simultaneously.

"French soccer will ask UEFA to let us make the first decisions in this affair, under the FIFA deadline," the French body said in a statement after a meeting Friday.

(Reuters, AFP, AP)

Becker and Courier Win, Graf Gains by Default

The Associated Press

NEW YORK — The second round was fast work for Boris Becker.

After taking almost 24 hours and five sets to win his first-round match Thursday night, Becker returned to a broiling stadium court at the U.S. Open on Friday and quickly brushed by Jakob Hlasek, 6-2, 6-2, 6-4.

With the outside temperature at 108 degrees Fahrenheit (42 centigrade) and both players wearing white baseball caps to protect them from the sun, Becker needed just 1 hour, 46 minutes to reach the third round of the tournament that he won in 1989.

Becker broke Hlasek in the first game of the match and never let up. He served well, charged the net and pressured Hlasek into mistakes.

Then Courier and Steffi Graf, seeded atop the singles draws, also eased into their next rounds Friday. Graf with the easiest victory of all.

It wasn't so easy for Goran Ivanisevic. No. 11 in the men's draw and given a shot at winning the upset-depleted tournament, Ivanisevic was upset himself by big-serving Carlos Costa, 6-3, 7-6 (7-4), 7-6 (7-5).

Costa won the last seven points of the tiebreak and jumped for joy as the final shot fell.

"I can't win up 5-0 in the tiebreak, I don't know what I can win any more," Ivanisevic said.

Also registering an upset on a brutally hot and humid day was American Lindsay Davenport, who beat 15th-seeded Amanda Coetzer, 6-1, 6-2.

Courier, the Australian Open champion who can clinch the men's No. 1 ranking for the season with a U.S. Open title, beat Michael Joyce, 6-1, 6-2, 6-2, to open the stadium court on a muggy summer day and advance to the third round.

Graf didn't even have to set foot on court. She became the first woman in the fourth round when Judith Wiesner, her scheduled opponent, defaulted just before the match with an upper respiratory infection.

It was the first walkover of the tournament, although several other players were forced to retire during their matches because of the flu.

Solidly in the women's No. 1 position with Monica Seles still sidelined, Graf said she was back to the point she reached in 1988, when she swept the Grand Slam and won an Olympic gold medal.

"For a while, I was less unbeatable," she said. Mental, not physical, factors had affected her play for a few seasons, she said, but that's over now.

Courier played his typical brand of tennis against Joyce, from Los Angeles. It was nothing flashy, just big groundstrokes and a minimum of mistakes, all the time forcing Joyce to play Courier's game.

Courier lost just 12 games in his first two rounds and has been immune from the ups and downs, injury and scheduling distractions that have plagued the Open's first week.

"That's the U.S. Open," he said. "I'm pumped up to play. Once I'm on the court, this is my favorite time of year. It's our country's championship."

Courier's next opponent will be MaliVai Washington, seeded No. 14 a year ago but unseeded this time, who beat Doug Flach, 7-5, 6-3, 6-2.

"I am mentally in the groove," Courier said. "If I am mentally there, then the physical part seems to follow."

Some things about the Open aren't so bad, Courier was beckoned to the USTA office after the match to meet actress Sophia Loren, who watched him play and asked to be introduced. They chatted for a few minutes, then exchanged kisses on both cheeks.

"I saw Barbara and Andrei," Courier quipped, recalling the headlines about the scandalous sex scandal. And now he figured he'd see his new lines about him and Sophia, though he has a French girlfriend.

"I suppose," he said. "Got to expand."

Courier could have less fun in the next round when he goes against Washington, who was seeded a year ago when he went out in the fourth round, and is still a threat to anybody on the tour.

"I am just going to be as aggressive as I can and try to take control of the points," Washington said. "I think that is going to be the different-

ence. That is the kind of game Courier plays. He wants to be in control of the points. I am going to try to counteract that."

Graf's next opponent is No. 13 Mary Pierce, who beat Brenda Schultz, 7-5, 7-6 (7-3).

Also winning were No. 10 Richard Krajciuk, who beat Alberto Berasategui, 6-1, 6-2, 6-4, and Jana Novotna, the No. 8 woman, who beat Laura Golarsa, 6-4, 6-3. Novotna will next play Kimiko Date, who upset No. 9 Anke Huber, 6-3, 6-2.

Seles Drops to No. 4

Seles, sidelined since being stabbed in the back at a tournament in Hamburg on April 30, will fall to fourth in the world when the next computer rankings are released. The Associated Press reported from New York.

Seles will lose the computer points she received for winning the U.S. Open last year, while Arantxa Sanchez-Vicario and Martina Navratilova, both in the third round of this year's final Grand Slam tournament, will pass the former world's top player.

Regardless of who wins the U.S. Open, Graf will remain No. 1 in the world on the Virginia Slims computer.

The women's tour chose not to freeze Seles's ranking, and Seles is bitter about the decision.

"I lost the ranking without playing a match," she said last week. "It was very hard and the main reason is because the person who did this to me, established me for that reason and pretty much got his wish in that sense."

Seles's attacker, an avid Graf fan, wanted the German star to return to No. 1. Graf regained the top spot when she won Wimbledon in July.

Other U.S. Open Results

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SIDELINES

Lanner Takes Lead in European Golf

CRANS, Switzerland (AP) — Mats Lanner of Sweden took a two-shot lead ahead of Philip Walton of Ireland on Friday in the second round of the European Masters golf tournament.

Lanner, co-leader with Nick Faldo and Walton after the first round, fired a 6-under-par 66 for a 133-under-par 131 total. Walton is second at 133. Faldo, an Englishman, who is ranked No. 1 in the world, shot a 2-under-par 70 and fell four strokes into a third-place tie with four others.

Five Take Share IAAF's Gold Bars

BRUSSELS (Reuters) — Five of the world's elite track and field athletes will share \$260,000 in gold bars after winning their events Friday at the Brussels grand prix, completing sweeps of their events in the IAAF's "Golden Four" meetings.

The reward of 20 one-kilogram gold bars will be divided among Sonia O'Sullivan of Ireland, Noureddine Morceli of Algeria, Michael Johnson of the United States, Maria Mutola of Mozambique and Trine Hattestad of Norway. For winning consecutive victories in Oslo, Zurich, Berlin and Brussels, each will receive \$52,000 in gold. Another contender, Jamaica's world 200-meter champion, Merlene Ottey, dropped out with an injury.

O'Sullivan beat the European champion, Yvonne Murray, in the women's 3,000 meters. Morceli failed in his second attempt in eight days to better the mile record, but his 3 minutes 47.30 seconds were the fifth best recorded. Johnson powered away to win the men's 400 meters in 44.45 seconds, Hattestad won the women's javelin with 67.92 yards and Mutola emerged from the pack to win the women's 800 in 1:57.90.

UEFA Cuts Georgia Club From Cup

ZURICH (AP) — The Georgian soccer club Dinamo Tbilisi on Friday was thrown out of the European Champions' Cup and suspended for an additional European season for allegedly trying to bribe match officials before an Aug. 18 cup game.

UEFA, European soccer's governing body, said Dinamo arranged

DAVE BARRY

When the Time Comes

MIAMI — Eventually everybody has to die, except Elvis. You never know when your time will come. One minute you could be as healthy as a horse, and the next you could be killed by exploding bat dung.

Yes, the Big Moment could come at any time, which is why you should be thinking NOW about making arrangements for your post-death lifestyle. You want to spare your loved ones the pain and agony of having to make funeral arrangements for you later, at a time when, for example, they might have tickets to the playoffs.

wrap the late Mr. Cheops up pretty good, you can have a situation where WIDOW: Rodents? UNDERTAKER: I mean, for me, personally, nothing puts a damper on a quiet reflective moment at a tomb like seeing a rodent scurry out carrying a piece of a loved one, and I...

In Royal Game of Chess, Scant Nobility

By David Spanier

LONDON — London's famous red buses are displaying advertisements along their side proclaiming: "Kasparov-Short: War begins on Sept. 7." To which chess enthusiasts the world over can only respond: "Let's hope so." All the fighting, so far, has been off the board.

The royal game has been so riven by accusations of bad faith that not one, but two, rival world championships are starting next week. One event is taking place in London and the other is divided between the Netherlands and Oman. Even the term "world championship" is in dispute.

In the good old days, a contender like the Polish-born Johann Zukertort could declare, "When once these gentlemen have consented to meet each other over the board, it must be taken for granted they will behave like gentlemen," and leave it at that.

European professionals were tempted by high prize money to play in a FIDE-sponsored tournament later this year. But they, too, studiously declined to make any commitment to join the organization. Membership at present appears to



Squaring off in two rival "world championships": Top, Kasparov against Short; below Karpov vs. Timman.

be limited to two. Kasparov for all his star quality has a somewhat dictatorial style in personal relations; his conduct has provoked widespread anxiety that, as world champion, the title became his personal fief, he could do as he pleased, regardless of other grand masters' interests.

In a further act of revenge (which chess players generally do not support) FIDE has cut both Kasparov and Short out of its ratings list. All this leaves international chess with a nasty twist. Chess players, living as they do in an intense black-and-white world of their own, typically take little interest in what is happening beyond the 64 squares of the chessboard. As

players, they may be endowed with talent, amounting sometimes to genius; as ordinary men and women, grand masters are no smarter than the rest of us and are certainly very bad at managing their own game. They thrive on out-fighting. Isn't chess, after all, the game of war?

David Spanier is a chess writer based in London.

PEOPLE

Grunge Gets Respect At MTV Awards Show

Grunge rock hauled off the trophies at MTV Video Music Awards, a three-hour masochism of irreverence, sexual innuendo — and even music. Pearl Jam won four awards for "Jeremy," a video about teen suicide. "I guess you gotta say thanks," said lead singer Eddie Vedder. "No, the real thing is, if it weren't for music I think I would have shot myself in the front of the classroom. It really is what kept me alive." Other purveyors of grunge rock honored at the 10th annual awards included Nirvana's "In Bloom" for the alternative video trophy, and Stone Temple Pilots, which took the top new artist honor. Best male video award went to Lesley Krawitz for "Are You Gonna Go My Way" and the female video trophy was awarded to K. d. lang for "Constant Craving."

With the Eiffel Tower as his backdrop, superstar tenor Luciano Pavarotti sang for thousands of fans — all for a good cause. Before the concert, Pavarotti said he was lending his support to the World Foundation for AIDS Research and Prevention, founded in January by Dr. Luc Montagnier and Federico Mayor, director general of Unesco. By sundown, crowds had gathered on the Champs de Mars for the concert, which was broadcast live on an oversized screen at no charge, though 14,000 spectators paid to sit under an enormous canopy.

More than five years ago, Louis Braille, an American, and Vladimir Fessenko of France left the southern tip of South America on horseback. They just finished their journey, reaching the arctic coast of Alaska — 19,000 miles (30,500 kilometers) later.

An Austrian foundation paid more than \$500,000 for 34 letters and receipts from the composer Franz Joseph Haydn to his publisher. The letters were handed over to the Haydn Foundation on Friday at Sobethy's in London, which negotiated the private sale for an unidentified American.

INTERNATIONAL CLASSIFIED Appears on Pages 4 & 7

WEATHER

Forecast for Sunday through Tuesday, as provided by Accu-Weather.

Table with columns for Europe, Asia, Africa, and Latin America, listing weather forecasts for various cities including London, Paris, Tokyo, and Sydney.



North America: Dry weather will cover much of the Western United States Sunday into early next week. Showers will linger along the East Coast from Boston to Richmond, Va., Sunday, then dry, pleasant weather is likely early next week. The Southeastern states will have scattered rains through Monday.

Table with columns for Asia, Africa, and Latin America, listing weather forecasts for various cities including Bangkok, Cape Town, and Mexico City.

THIS WEEKEND AT THE BEACH

Large table with columns for Saturday and Sunday, listing beach weather forecasts for various locations including Europe and Middle East, Caribbean and West Atlantic, and Asia/Pacific.

"I wonder if the little guy had fun today?"



Sharing the day's events with loved ones back in the States has never been easier. Whenever you're away, simply dial the AT&T access number of the country you're calling from and an English-speaking AT&T Operator or voice prompt will put you through in seconds.

AT&T Access Numbers The fast way to a familiar voice

Table listing AT&T access numbers for various countries including ANDORRA, ARMENIA, AUSTRIA, BAHRAIN, BELGIUM, BULGARIA, CAPE VERDE ISLANDS, CROATIA, CYPRUS, CZECH REP., DENMARK, EGYPT, FINLAND, FRANCE, GABON, GAMBIA, GERMANY, GHANA, GIBRALTAR, GREECE, HUNGARY, ICELAND, IRELAND, ISRAEL, ITALY, IVORY COAST, KENYA, KUWAIT, LEBANON, LIBERIA, LIECHTENSTEIN, LITHUANIA, LUXEMBOURG, MALTA, MONACO, NETHERLANDS, NIGERIA, NORWAY, POLAND, PORTUGAL, ROMANIA, RUSSIA, SAN MARINO, SAUDI ARABIA, SLOVAKIA, SPAIN, SWEDEN, SWITZERLAND, TURKEY, U.A.R. EMIRATES, UK, ZAMBIA, ZIMBABWE.

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